

**Audited Consolidated Annual Financial Statements**

**for**

***ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY***

**As at 30 June 2016**

**Province: KwaZulu Natal**

**AFS rounding: R (i.e. only cents)**

**Contact Information:**

**Name of Municipal Manager: Nonhlanhla Gamede**

**Name of Chief Financial Officer: Nosipho Mba**

**Contact telephone number: 032 437 9503**

**Contact e-mail address: [nosipho.mba@ilembe.gov.za](mailto:nosipho.mba@ilembe.gov.za)**

**Name of contact at provincial treasury: Nokuthula Ndlovu**

**Contact telephone number: 033 897 4376**

**Contact e-mail address: [nokuthula.chamane@kzntreasury.gov.za](mailto:nokuthula.chamane@kzntreasury.gov.za)**

**Name of relevant Auditor: Ntombifuthi Mhlongo**

**Contact telephone number: 033 264 7400**

**Contact e-mail address: [ntombifuthim@agsa.co.za](mailto:ntombifuthim@agsa.co.za)**

***Name of contact at National Treasury:***

**Matsie Sehlapelo**

**Contact telephone number: 012 315 5295**

**Contact e-mail address: [Matsie.Sehlapelo@treasury.gov.za](mailto:Matsie.Sehlapelo@treasury.gov.za)**

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**As at 30 June 2016**

**General information**

His Worship, Councillor Sibusiso Welcome Mdabe	<b>Mayor</b>
Councillor Thokozani Msweli	<b>Speaker</b>
Councillor Amita Badul	Member of the Executive Committee
Councillor Thami Jabulani Zondo	Member of the Executive Committee
Councillor Monitha Dolly Shandu	Member of the Executive Committee
Councillor Moosa Suleman Cassim Motala	Member of the Executive Committee
Councillor Samukelisiwe Gugu Xhakaza	<i>Member</i>
Councillor Nkosinathi Vincent Chili	<i>Member</i>
Councillor Susan Molebong Cele	<i>Member</i>
Councillor Jabulisiwe Mavis Cele	<i>Member</i>
Councillor Musawenkosi Simeon Ntuli	<i>Member</i>
Councillor Faith Govender	<i>Member</i>
Councillor Makhosonke Petros Ntuli	<i>Member</i>
Councillor Rejoice Nontsikelelo Pakkies	<i>Member</i>
Councillor Gideon Njabulo Mbonambi	<i>Member</i>
Councillor Lucky Reginald Makhathini	<i>Member</i>
Councillor Musawenkosi Aubrey Maphumulo	<i>Member</i>
Councillor Andrew Gopaul	<i>Member</i>
Councillor Leonard Mandla Ndlovu	<i>Member</i>
Councillor Fuzile Pearl Nkosi	<i>Member</i>
Councillor Zandile Sandy Thoolsi	<i>Member</i>
Councillor Cebisile Pridence Ngidi	<i>Member</i>
Councillor Velile Charline Nzama	<i>Member</i>
Councillor Lindelani Mbulelo Zondi	<i>Member</i>
Councillor Jennifer A. Vallan	<i>Member</i>
Councillor Elphas Lindelihle Dube	<i>Member</i>
Councillor Catherine Tholakele Kumalo	<i>Member</i>
Councillor Lindelihle Rodger Mdletshe	<i>Member</i>
Councillor Langelihle Roney Mbonambi	<i>Member</i>
Councillor Dumisani Jotham Zubane	<i>Member</i>

**Municipal Manager**

N P Gamede - Appointed as Municipal Manager in June 2015

**Chief Financial Officer**

Nosipho Mba - Appointed on 01 December 2011.

**Grading of Local Authority**

Five

**Auditors**

Auditor-General

**Bankers**

First National Bank

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**As at 30 June 2016**

**General information (continued)**

Ilembe House

**Physical address:**

Ilembe House  
59/61 Mahatma Ghandhi Street  
KWADUKUZA  
4450

**Postal address:**

P.O Box 1788  
KWADUKUZA  
4450

**Telephone number:**

032 437 9300

**Fax number:**

032 437 9584

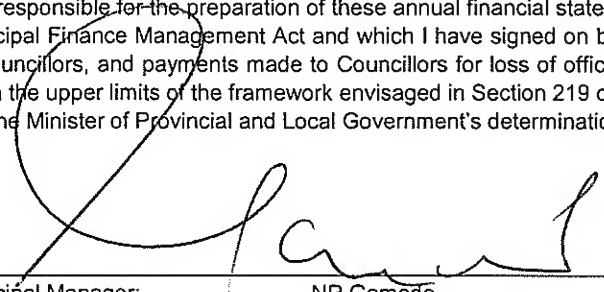
**E-mail address:**

[admin@ilembe.gov.za](mailto:admin@ilembe.gov.za)

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**As at 30 June 2016**

**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 50, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
\_\_\_\_\_  
Municipal Manager: NP Gamede

DATE: 30 September 2016

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**As at 30 June 2016**

<b>Index</b>	<b>Page</b>
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget & Actuals	9-10
Accounting Policies	11-21
Notes to the Annual Financial Statements	21-48
Appendix A: Schedule of External Loans	49
Appendix B: Analysis of Property, Plant and Equipment	50-51
Appendix C: Segmental Analysis of Property, Plant and Equipment	52
Appendix D: Segmental Statement of Financial Performance	53

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2016**

	Note	GROUP 2016 R	IDM 2016 R	GROUP 2015	IDM 2015 R
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	3	36 142 917	35 916 287	36 718 014	31 863 096
Trade and other receivables from exchange trans	2	111 885 509	106 447 234	141 568 215	136 535 915
Trade and other receivables from non exchange ti	4	147 005 337	147 005 337	74 186 007	74 186 007
Inventories	6	10 609 260	10 609 260	14 941 091	14 941 091
<b>Total current assets</b>		<b>305 643 024</b>	<b>299 978 119</b>	<b>267 413 326</b>	<b>257 526 108</b>
<b>Non-current assets</b>					
Non-current receivables	7	35 314	35 314	-	-
Long term Investments	8	24 419 710	24 419 710	22 982 423	22 982 423
Other non-current financial assets	5	-	100	-	100
Property, plant and equipment	10	1 985 229 506	1 962 775 646	1 559 386 466	1 533 050 758
Intangible assets	12	5 375 697	5 371 579	4 587 384.11	4 579 024
Heritage Assets	11	205 578	205 578	205 578	205 578
Biological assets	13	1 174 400		2 774 800	-
<b>Total non-current assets</b>		<b>2 016 440 205</b>	<b>1 992 807 927</b>	<b>1 589 936 650</b>	<b>1 560 817 883</b>
<b>Total assets</b>		<b>2 322 083 228</b>	<b>2 292 786 046</b>	<b>1 857 349 976</b>	<b>1 818 343 992</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables from exchange transact	14	348 512 591	344 972 698	270 529 302	266 886 973
Trade and other payables from non - exchange tra	15	10 171 467	4 487 482	19 236 850	9 767 521
Current portion of borrowings	16	6 652 583	6 652 583	1 516 041	1 516 041
Current portion of finance lease liability	17	15 463 776	15 463 776	8 426 370	8 426 370
Current portion of employee benefits	38	1 014 311	1 014 311	801 472	801 472
<b>Total current current liabilities</b>		<b>381 814 728</b>	<b>372 590 850</b>	<b>300 510 035</b>	<b>287 398 377</b>
<b>Non-current liabilities</b>					
Non-current borrowings	16	77 958 904	77 958 904	89 866 402	89 866 402
Non-current finance lease liability	17	7 980 147	7 980 147	23 776 357	23 776 357
Employee benefits	38	6 962 850	6 962 850	6 470 255	6 470 155
<b>Total non-current liabilities</b>		<b>92 901 901</b>	<b>92 901 901</b>	<b>120 113 014</b>	<b>120 112 914</b>
<b>Total liabilities</b>		<b>474 716 629</b>	<b>465 492 751</b>	<b>420 623 048</b>	<b>407 511 290</b>
<b>Net assets</b>		<b>1 847 366 599</b>	<b>1 827 293 294</b>	<b>1 436 726 928</b>	<b>1 410 832 701</b>
<b>NET ASSETS</b>					
Accumulated surplus		1 847 366 599	1 827 293 294	1 436 726 928	1 410 832 701
<b>Total net assets</b>		<b>1 847 366 599</b>	<b>1 827 293 294</b>	<b>1 436 726 928</b>	<b>1 410 832 701</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**As at 30 June 2016**

	Note	GROUP 2016	IDM 2016 R	GROUP 2015	IDM 2015 R
<b>Revenue from exchange transactions</b>		<b>195 936 938</b>	<b>178 581 266</b>	<b>182 775 584</b>	<b>170 238 980</b>
Service charges	18	145 147 918	145 147 918	145 000 897	145 000 897
Rental of facilities and equipment	19	14 221	14 221	17 756	17 756
Interest earned - external investments	20	4 936 681	4 768 538	3 676 614	3 614 065
Interest earned - outstanding receivables	21	18 195 506	18 195 506	14 393 406	14 393 406
Other income	23	27 642 612	10 455 083	19 686 911	7 212 856
<b>Revenue from non exchange transactions</b>		<b>908 870 302</b>	<b>902 930 856</b>	<b>713 737 745</b>	<b>712 659 888</b>
Government grants and subsidies	22	908 870 302	902 930 856	713 737 745	712 659 888
<b>Total revenue</b>		<b>1 104 807 239</b>	<b>1 081 512 122</b>	<b>896 513 329</b>	<b>882 898 868</b>
<b>Expenses</b>					
Employee related costs	24	171 705 244	162 315 862	161 903 153	153 413 213
Remuneration of councillors	25	9 713 898	9 713 898	8 589 586	8 589 586
Bad debts	2	97 678 134	97 678 134	40 409 419	40 409 419
Directors' attendance fees	25	555 156	-	478 957	-
Depreciation, impairment and amortisation ex	26	73 493 635	69 680 117	(136 135 500)	(137 521 017)
Repairs and maintenance		61 565 669	61 420 969	52 834 449	52 721 282
Finance costs	27	8 447 809	8 447 809	11 246 933	11 246 933
Bulk purchases	28	62 752 475	62 752 475	74 440 680	74 440 680
Contracted services	29	69 857 428	69 840 204	66 846 022	66 716 671.04
Grant Expenses	30	32 584 355	28 879 681	65 408 449	34 217 638
General expenses	31	92 419 285	89 453 542	91 286 524	89 921 612
<b>Total expenses</b>		<b>680 773 088</b>	<b>660 182 693</b>	<b>437 308 672</b>	<b>394 156 017</b>
Gain / (loss) on sale of assets		(1 127 527)	(1 127 527)	15 392	15 392
Forex gain/(loss)		(422 371)	(422 371)	(6 245)	(6 245)
		<b>422 484 254</b>	<b>419 779 531</b>	<b>459 213 805</b>	<b>488 751 999</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**As at 30 June 2016**

		GROUP Accumulated Surplus/(Deficit) and Total	IDM Accumulated Surplus/(Deficit) Total
	Note		R
<b>Balance at 30 June 2014</b>		<b>986 259 552</b>	<b>962 549 849</b>
Prior year adjustments - as per 2015	32	-445 899	(445 899)
Prior year adjustments	32	(40 023 244)	(40 023 244)
<b>Restated balance</b>		<b>945 790 408</b>	<b>922 080 705</b>
Net gains and losses not recognised in the statement of financial performance		756 480.00	-
Other items			-
Other items			-
Transfers to / from accumulated surplus/(deficit)		853 283	-
Surplus / (deficit) for the period		489 326 759	488 751 999
<b>Balance at 30 June 2015</b>		<b>1 436 726 930</b>	<b>1 410 832 704</b>
Correction of prior period error	32	(6 252 700)	(3 318 943)
<b>Restated balance</b>		<b>1 430 474 229</b>	<b>1 407 513 762</b>
Net gains and losses not recognised in the statement of financial performance		(1 600 400)	
Transfers to / from accumulated surplus/(deficit)		(3 991 483)	
Surplus / (deficit) for the period		422 484 254	419 779 531
<b>Balance at 30 June 2016</b>		<b>1 847 366 600</b>	<b>1 827 293 294</b>



**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**CASH FLOW STATEMENT**  
**As at 30 June 2016**

	Note	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b>Receipts</b>		<b>945 518 717</b>	<b>917 600 154</b>	<b>736 915 707</b>	<b>734 085 707</b>
Sales of goods and services		91 763 620	90 743 417	95 232 752	95 232 752
Grants		853 755 097	826 856 736	641 682 954	638 852 954
<b>Payments</b>		<b>(335 231 800)</b>	<b>(302 444 338)</b>	<b>(374 155 008)</b>	<b>(414 718 726)</b>
Employee costs		180 610 103	170 665 565	169 039 339	159 935 004
Suppliers		154 621 698	131 778 772	205 115 669	254 783 722
<b>CASH GENERATED FROM OPERATIONS</b>	<b>33</b>	<b>610 286 917</b>	<b>615 155 816</b>	<b>362 760 699</b>	<b>319 366 981</b>
Interest received		4 936 681	4 768 538	3 676 614	3 614 065
Interest paid		(8 447 809)	(8 447 809)	(11 246 933)	(11 246 933)
<b>Net cash flows from operating activities</b>		<b>606 775 789</b>	<b>611 476 545</b>	<b>355 190 380</b>	<b>311 734 113</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of fixed assets (PPE)		(581 679 217)	(581 751 685)	(353 401 119)	(312 581 331)
Proceeds from sale of fixed assets		910 864	910 864	265 000	265 000
Increase in investments		(1 437 287)	(1 437 287)	(1 433 360)	(1 433 360)
Purchase of intangibles		(2 433 870)	(2 433 870)	(281 156)	(281 156)
Decrease/(Increase) in Loans and receivables		-	-	-	-
<b>Net cash flows from investing activities</b>		<b>(584 639 510)</b>	<b>(584 711 978)</b>	<b>(354 850 635)</b>	<b>(314 030 847)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of borrowings		(6 770 955)	(6 770 955)	(1 582 325)	(1 582 325)
Repayment of finance lease liability		(15 940 421)	(15 940 421)	(9 096 224)	(9 096 224)
<b>Net cash flows from financing activities</b>		<b>(22 711 377)</b>	<b>(22 711 377)</b>	<b>(10 678 549)</b>	<b>(10 678 549)</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>(575 098)</b>	<b>4 053 191</b>	<b>(10 338 804)</b>	<b>(12 975 284)</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>36 718 014</b>	<b>31 863 096</b>	<b>47 056 818</b>	<b>44 838 379</b>
<b>Net cash and cash equivalents at end of period</b>	<b>34</b>	<b>36 142 916</b>	<b>35 916 287</b>	<b>36 718 014</b>	<b>31 863 095</b>

**ILEMBE DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
As at 30 June 2016

Description	Original Budget	Budget Adjustments (i.o. s28 & s31 Of The MFMA)	Virement (Council Approved By-law)	Final Budget	Actual Income/Expenditure	Unauthorised Expenditure	Variance	% Variance	Explanation of variances
	1	2	3	4	5	6	7	8	9
	R	R	R	R	R	R	R		
Service Charges	181 000 339	222 929 008	0	222 929 008	145 147 918		-77 781 090		Council had planned to charge the drought levy in order to recover drought expenditure incurred, however, due to violent public protests, the levy -35% was not implemented.
Investment Revenue	4 306 676	3 352 989	0	3 352 989	4 936 681		1 583 692		More interest from investments was earned than 47% anticipated
Transfers Recognised - Operational	366 590 000	369 390 000	0	369 390 000	416 730 872		47 340 872		Acceleration in grant funded projects 13% implementation
Other Own Revenue	29 047 356	39 106 107	0	39 106 107	45 852 339		6 746 232		17% Less income was received than planned
<b>Total Revenue (Excluding Capital Transfers)</b>	<b>580 944 371</b>	<b>634 778 104</b>	<b>0</b>	<b>634 778 104</b>	<b>612 667 810</b>	<b>0</b>	<b>-22 110 294</b>		
Employee Costs	176 801 204	177 682 170	0	177 682 170	171 705 244	0	-5 976 926		-3% Accept the variance as immaterial
Remuneration Of Councillors	8 088 470	9 498 090		9 498 090	10 269 054		770 964		8% Accept the variance as immaterial
Debt Impairment	37 713 588	42 798 216		42 798 216	97 678 134		54 879 918		Various violent protests made it impossible to implement the credit control policy in some 128% areas hence increasing doubtful debts provision
Depreciation & Asset Impairment	59 280 552	63 391 855		63 391 855	73 493 635		10 101 780		16% There was a restructure on the loan condition which resulted in less finance charges on borrowings. Less finance charges on leases were incurred than anticipated.
Finance Charges	10 678 680	13 477 409		13 477 409	8 447 809		-5 029 600		-37% Accept the variance as immaterial
Bulk Purchases	40 319 500	68 526 599		68 526 599	62 752 475	0	-5 774 124		-8% Accept the variance as immaterial
Contracted Services	52 852 560	65 346 781		65 346 781	69 857 428		4 510 646		7% Accept the variance as immaterial
Grant Expenses	36 446 696	37 368 814		37 368 814	32 584 355		-4 784 459		The budgeted amount includes free basic services which is netted off against service charges income on the actual amounts.
Other Expenditures	155 623 780	166 201 037		217 151 688	153 984 954	0	-63 166 734		-29% Austerity measures
<b>Total Expenditure</b>	<b>577 805 031</b>	<b>644 290 971</b>	<b>0</b>	<b>695 241 622</b>	<b>680 773 088</b>	<b>0</b>	<b>-14 468 534</b>		
<b>Surplus/(Deficit)</b>	<b>3 139 340</b>	<b>-9 512 867</b>	<b>0</b>	<b>-60 463 518</b>	<b>-68 105 278</b>	<b>0</b>	<b>-7 641 760</b>		

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By-law)	Final Budget	Actual Income/Expenditure	Unauthorised Expenditure	Variance	% Variance	Explanation of variances
Transfers Recognised - Capital	311 336 000	305 036 000	0	305 036 000	346 236 194		41 200 194	14%	2016/17 financial year and which is within the 14% MTREF approved budget.
Contributions Recognised - Capital & Contributed Assets	126 166 000	154 876 223	0	154 876 223	145 903 236		-8 972 987	-6%	This item is dependant on the capital expenditure.
Surplus/(Deficit) After Capital Transfers & Contributions	440 641 340	450 399 356	0	399 448 705	424 034 152	0	24 585 447		
Profit/(Loss)					-1 549 898		-1 549 898		
Surplus/(Deficit For The Year	440 641 340	450 399 356	0	399 448 705	422 484 254	0	23 035 548		
Capital Expenditure & Funds Sources									
Capital Expenditure									
Transfers Recognised - Capital	290 645 614	286 352 592	0	286 352 592	349 736 491	57 774 502	63 383 899	22%	Implementation of some projects originally planned for 2016/17 financial year as brought forward to 2015/16. The expenditure will be 22% funded from the 2016/17 grant allocation.
Public Contributions & Donations	110 671 930	117 689 474	0	117 689 474	125 309 979	7 620 506	7 620 506	6%	Accept the variance as immaterial
Internally Generated Funds	23 169 191	48 902 394	0	48 902 394	25 667 725	0	-23 234 669	-48%	The under-spending is attributable to implemetausterity measures.
Total Sources Of Capital Funds	424 486 735	452 944 460	0	452 944 460	500 714 196	65 395 008	47 769 736		

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**As at 30 June 2016**

**1 BASIS OF PREPARATION**

**1.1 STATEMENT OF COMPLIANCE**

These annual financial statements have been prepared in accordance with the effective South African Standards of Generally Recognised Accounting Practice (GRAP), as approved by the Minister of Finance, including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 BASIS OF MEASUREMENT**

The annual financial statements have been prepared on the accrual basis except for the following material item in the statement of financial position:

the defined benefit liability is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

Accounting policies for material transactions, events or conditions not covered by the Standards of GRAP have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3 *Accounting policies, changes in accounting estimates and errors*. These accounting policies and the applicable disclosures have been based on International Public Sector Accounting Standards (IPSAS) and the South African Statements of Generally Accepted Accounting Practice (SA GAAP), including any interpretations of such statements issued by the Accounting Practices Board.

**1.3 FUNCTIONAL AND PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

**1.4 OFFSETTING**

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

**1.5 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1.6 USE OF ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future.

**1.7 COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The municipality shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis. All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget. The municipality shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget (refer note 1.10).

**1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The effective dates are currently unknown.

GRAP 105 Transfer of Functions Between Entities Under Common Control - Effective 1 April 2015

GRAP 106 Transfer of Functions Between Entities Not Under Common Control - issued Effective 1 April 2015

GRAP 107 Mergers - issued November effective 1 April 2015

GRAP 25 Employee Benefits - effective 01 April 2013

The impact of the application of these standards on the municipality's annual financial statements is as follows:

GRAP 106 - Full Compliance is not required with GRAP 107, entities should formulate an accounting policy for any mergers concluded. The

GRAP 106 - Full Compliance is not required with GRAP 107, entities should formulate an accounting policy for any mergers concluded. The

GRAP 107 - Full Compliance is not required with GRAP 107, entities should formulate an accounting policy for any mergers concluded. The

## 1.9 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

The following GRAP standards have been issued and are effective and have been adopted by the municipality.

GRAP 25 Employee Benefits - effective 01 April 2013

The impact of the application of these standards on the municipality's annual financial statements is as follows:

GRAP 25 - Requirements of GRAP 25 are similar to the requirements of IAS 19 Employee Benefits applied by the municipality during the 2012/13 financial year except for the fact that GRAP 25 requires actuarial gains and losses to be recognised in full in the year that they occur and past service costs to be recognised as an expense in the reporting period in which the plan is amended. No material impact is expected from these changes

## 1.10 PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

The budget is mainly approved on a cash basis by functional classification. The approved budget covers the period from 1 July 2012 to 30 June 2013. The budget and accounting bases for some votes differ. The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance. The financial statements differ from the budget, which is approved on the cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. The amounts of these adjustments are identified in note 41. A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts in the cash flow statement for the period ended 30 June 2013 is presented in note 41. The financial statements and budget documents are prepared for the same period. There is a basis difference: the budget is mainly prepared on a cash basis and the financial statements on the accrual basis. The reconciliation as required by GRAP 24 is also shown in note 41. The statement of comparison of budget and actual amounts is disclosed as a statement in the annual financial statements.

Differences between budget and actual amounts are regarded as material when a more than 10% variance exists.

All material differences are explained in the notes to the annual financial statements.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies had been applied consistently during the current and previous reporting period, as set out in note 1.2

### 2.1 PROPERTY, PLANT AND EQUIPMENT

#### 2.1.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### 2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### 2.1.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100 Non-current assets held for sale and discontinued operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Infrastructure	Years	Other	Years
Water	10 - 60	Machinery and equipment	3 - 20
Sewerage	10 - 60	Furniture and equipment	3 - 50
Other	10 - 50	Motor vehicles	4 - 20

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance - refer to note 19 for further information on impairment of assets.

### 2.1.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 2.1.5 LEASED ASSETS

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

## 3 INTANGIBLE ASSETS

### 3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

### 3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### 3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software and websites      2 - 5 Years

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date - refer to note 19 for further information on impairment of assets. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

### 3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## 4 HERITAGE ASSETS

### 4.1 INITIAL RECOGNITION AND MEASUREMENT

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

### 4.2 SUBSEQUENT MEASUREMENT - COST MODEL

After recognition as an asset, a class of heritage assets are carried at its cost less any accumulated impairment losses.

### 4.3 DEPRECIATION & IMPAIREMENT

Heritage assets are not depreciated. The municipality assesses at each reporting date whether there is any indication that a heritage asset may be impaired - refer to note 18 for further information on impairment of assets.

In assessing whether there is an indication that an asset may be impaired, the municipality considers, as a minimum, the following indications:

#### 4.3.1 External sources of information

(a) During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

(b) The absence of an active market for a revalued heritage asset.

#### 4.3.2 Internal sources of information

(a) Evidence is available of physical damage or deterioration of a heritage asset.

(b) A decision to halt the construction of the heritage asset before it is complete or in a usable form.

### 4.4 DERECOGNITION

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

## 5 INVENTORIES

### 5.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### 5.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

### 5.3 WATER INVENTORY

Water inventory represents water housed in reservoirs within the municipal area and is measured at the lower of cost, which is deemed to be fair value, and net realisable value. In the absence of a market that trades in water outside of local government, the fair value utilised to quantify water inventory is based on the unit reference value. The unit reference value is determined by a formula that is utilised in the engineering department to calculate the development cost of new water resources.

## 6 INVESTMENTS IN CONTROLLED ENTITIES

In the municipality's separate annual financial statements, investments in controlled entities are measured at cost.

## 7 FINANCIAL INSTRUMENTS

### 7.1 INITIAL RECOGNITION

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or residual interest of another entity. A financial asset is:

A financial liability is any liability that is a contractual obligation to:

deliver cash or another financial asset to another entity; or

exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions. Financial assets are recognised using trade date accounting

## 7.2 INITIAL MEASUREMENT

Financial instruments are initially measured at fair value and plus transaction costs for financial instruments at amortised cost or cost. Fair value is usually the transaction cost at the date of recognition. For financial instruments at amortised cost, if the transaction cost is not market related i.e. no interest is charged for deferred payments or when the account is overdue, or interest charged is at below- market related rate: the municipality determines the fair value. The fair value is the present value of the expected future cash flows, without taking into account any future losses or the possibility of default, discounted using a market related interest rate, adjusted for credit risk over the expected life of the financial instrument. For financial instruments at fair value, the fair value is determined based on quoted prices in an active market. If there is no active market, it is determined using valuation techniques. For financial instruments at cost, the financial instrument is only measured at cost if the fair value can not be measured reliably. Where a financial instrument contains both a liability and a residual interest component, the municipality allocates the instrument into its component parts. The municipality recognises the liability at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its

## 7.3 SUBSEQUENT MEASUREMENT

Financial assets and liabilities are subsequently measured either at fair value, or amortised cost or cost using the following categories:

- (a) Financial instruments at fair value
- (b) Financial instruments at amortised cost
- (c) Financial instruments at cost

### 7.3.1 FINANCIAL INSTRUMENTS AT FAIR VALUE

Financial instruments at fair value comprise financial assets or financial liabilities that are derivatives , combined instruments that are designated at fair value, instruments held for trading , financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost and non derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition. Financial instrument at fair value are subsequently measured at fair value with changes in fair value recognised in surplus or deficit.

### 7.3.2 FINANCIAL INSTRUMENTS AT AMORTISED COST

Financial instruments at amortised cost , are non-derivative financial assets or financial liabilities that have fixed or determinable payments , excluding those the municipality designates at fair value at initial recognition or are held for trading. Financial instruments at amortised cost are subsequently measured at amortised cost using effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated cash flows associated with the financial instrument through the expected life of the instrument (or in some cases a shorter period) to the net carrying amount at initial recognition. Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets.

### 7.3.3 FINANCIAL INSTRUMENTS AT COST

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Financial instruments at cost are subsequently measured at cost if the fair value cannot be reliably determined. Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets.

## 7.4 RECLASSIFICATIONS

The municipality does not reclassify a financial instrument when it is issued or held , except for a combined instrument that is required to be measured at fair value or an investment in residual interest subject to certain requirements.

## 7.5 GAINS AND LOSSES

Gains and losses on fair value measurements ,reclassifications , impairment , derecognition are recognised in surplus or deficit.

## 7.6 IMPAIRMENT AND UNCOLLECTABILITY OF FINANCIAL ASSETS

Financial assets are subject to annual impairment review as follows:

### 7.6.1 FINANCIAL ASSETS AT AMORTISED COST

For financial assets at amortised cost; the municipality assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset, (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The impairment loss is recognised in surplus or deficit by reducing the carrying amount either directly or through the use of an allowance account. If, in a period after an impairment loss has been recognised, events occur or circumstances change that indicate that the impairment loss recognised in a previous period should be reversed, the municipality reverses the impairment loss previously recognised either directly or by adjusting an allowance account.

### 7.6.2 FINANCIAL ASSETS AT COST

For financial assets at cost; the municipality assesses whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for similar financial assets. The impairment loss is recognised in surplus or deficit by reducing the carrying amount directly. The impairment loss is never reversed in subsequent periods.



## 7.7 DERECOGNITION

### 7.7.1 FINANCIAL ASSETS

The municipality derecognises financial assets using trade date accounting. The municipality derecognises a financial asset only when:

- (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- (b) the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality shall:
  - (i) derecognise the asset; and
  - (ii) recognise separately any rights and obligations created or retained in the transfer.

### 7.7.2 FINANCIAL LIABILITIES

The municipality removes a financial liability from its statement of financial position when, and only, it is extinguished. A financial liability is extinguished when the debtor either:

- (a) Discharges the liability by paying the creditor, normally with cash, other financial liabilities, goods or services.
- (b) Is legally released from primary responsibility for the liability either by process (expires) of law or by the creditor (cancelled). If the debtor has given a guarantee, this condition may still be met.
- (c) Waives the debt or it is assumed by another municipality by way of a non-exchange transaction.

Interest, dividends or similar distributions, losses and gains relating to a financial instrument or a component that is a financial liability should be recognised as revenue or expense in surplus or deficit. A financial asset and a financial liability should be offset and the net amount presented in the statement of financial position when and when, the municipality:

- (i) Currently has a legally enforceable right to set off the recognised amounts; and
- (ii) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

## 8 FOREIGN CURRENCY TRANSACTION

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit, except for differences arising on the retranslation of available-for-sale financial instruments, which are recognised in net assets.

## 9 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is defined in section 1 of the MFMA as follows:

"unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act.

### 9.1 IDENTIFICATION AND INTERNAL REPORTING

Unauthorised expenditure is identified through the municipality's financial system application controls. On identification of the unauthorised expenditure due to overspending on specific votes, the relevant Head of department is notified, where funds are available on other votes within the directorate, virements are made within the provisions of the virement policy. If after the provisions of the virement policy are applied, the unauthorised expenditure still remains/exist, it is recorded in the unauthorised expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

### 9.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Unauthorised expenditure that is incurred before the adjustment budget process is finalised is condoned by council through the adjustment budget. Unauthorised expenditure that is incurred after the adjustments budget is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the unauthorised expenditure as irrecoverable and write-off, the unauthorised expenditure is disclosed in the notes to the financial statements as condoned by council. Where MPAC determines after investigation, that the unauthorised expenditure must be recovered from the relevant official, the unauthorised expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the unauthorised expenditure note as unauthorised expenditure incurred in the current financial year.

### 9.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:

- (a) Any unauthorised expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such unauthorised expenditure; and
- (c) The steps that have been taken-
  - (i) To recover or rectify such expenditure; and

## 10 IRREGULAR EXPENDITURE

Irregular expenditure is defined in section 1 of the MFMA as follows:

"irregular expenditure", in relation to a municipality or municipal entity, means—

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
  - (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
  - (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
  - (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,
- but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

### 10.1 IDENTIFICATION AND INTERNAL REPORTING

Every expenditure item is reviewed before payment is made to identify any instances of non-compliance with the relevant Acts and supply chain management policy of the municipality. Where an expenditure item is identified as irregular expenditure, it is recorded in the irregular expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

### 10.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Irregular expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the irregular expenditure as irrecoverable and write - off, the irregular expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the irregular expenditure must be recovered from the relevant official, the irregular expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the irregular expenditure note as irregular expenditure incurred in the current financial year.

### 10.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:

- (a) Any irregular expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such irregular expenditure; and
- (c) The steps that have been taken-
  - (i) To recover or rectify such expenditure; and
  - (ii) To prevent a recurrence of such expenditure

## 11 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as follows:

"fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

### 11.1 IDENTIFICATION AND INTERNAL REPORTING

Every expenditure item is reviewed before payment is made to identify whether it meets the definition of fruitless and wasteful expenditure. Where an expenditure item is identified as fruitless and wasteful expenditure, it is recorded in the fruitless and wasteful expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

### 11.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Fruitless and wasteful expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the fruitless and wasteful expenditure as irrecoverable and write - off, the fruitless and wasteful expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the fruitless and wasteful expenditure must be recovered from the relevant official, the fruitless and wasteful expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the fruitless and wasteful expenditure note as fruitless and wasteful expenditure incurred in the current financial year.

### 11.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:

- (a) Any irregular expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such fruitless and wasteful expenditure; and
- (c) The steps that have been taken-
  - (i) To recover or rectify such expenditure; and
  - (ii) To prevent a recurrence of such expenditure

## 12 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## **13 LEASES**

### **13.1 MUNICIPALITY AS LESSEE**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

### **13.2 MUNICIPALITY AS LESSOR**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## **14 REVENUE**

### **14.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Further adjustments are made to take into account staggered tariffs where applicable. The estimates of consumption between meter readings are based on 6 months average reading history.

Revenue from the sale of water prepaid meter cards is recognized based on consumption except where a reliable estimate cannot be made after every reasonable effort to gather appropriate information had been made. In these instances, revenue is recognized at the point of sale.

Revenue from the sale of water prepaid meter cards is recognized based on consumption except where a reliable estimate cannot be made after every reasonable effort to gather appropriate information had been made. In these instances, revenue is recognized at the point of sale.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### **14.2 REVENUE FROM NON - EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions are transactions where the municipality receives revenue and provide no or a nominal consideration directly in return.

A transaction can be a combination of exchange and non-exchange transactions. In these instances the municipality determines what portion of the transaction is an exchange transaction and what portion is a non-exchange transaction and then recognise it separately.

Most non-exchange transactions that the municipality enters into involve stipulations on transferred assets are in terms in laws or regulations, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality. Stipulations can either be in the form of conditions or in the form of restrictions. For both conditions and restrictions the municipality may be required to use the transferred asset for a particular purpose. The municipality uses substance over form to determine whether a stipulation is a condition or restriction.

#### 14.3 RECOGNITION

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognised as an asset when all of the following criteria have been satisfied:

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow (which is the case when a stipulation is a condition).

Liabilities are recognised for conditions to be met which is attached to the transferred asset. The liability is discharged and revenue recognised as the conditions are satisfied.

The municipality does not recognise service in - kind.

The municipality recognises revenue from vat refunds on cash basis.

#### 14.4 MEASUREMENT

Non-monetary assets such as property, plant and equipment, investment property and inventory, acquired through a non-exchange transaction, are initially measured at its fair value on acquisition date.

Monetary assets arising out of a contractual agreement, such as cash and receivables, are initially measured at fair value on acquisition date.

Revenue is measured at the amount equal to the increase in net assets (i.e. the net effect).

The amount recognised as a liability is the best estimate of the amount required to settle the present obligation at the reporting date.

Revenue from vat refunds is measured at gross amounts.

#### 15 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

#### 16 EMPLOYEES BENEFITS

##### 16.1 SHORT-TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

##### 16.2 POST- EMPLOYMENT BENEFITS

###### 16.2.1 DEFINED CONTRIBUTION PLANS

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after end of the period in which the employees render the related service, they are discounted using a risk-free rate determined by reference to market yields at the reporting date on government bonds, or by reference to market yields on high quality corporate bonds. The municipality contributes to various national-and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer plans and are accounted for as defined contribution plans as there is no consistent and reliable basis available for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national-or provincial level using the projected unit credit method. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### 16.2.2 DEFINED BENEFITS PLANS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. It defines an amount of benefit that an employee will receive on retirement. The municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine its present value. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the municipality. An economic benefit is available to the municipality if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. The expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in surplus or deficit on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in surplus or deficit.

The municipality immediately recognises all actuarial gains and losses arising from defined benefit plans directly in net assets.

#### 16.2.3 OTHER LONG - TERM BENEFITS PLANS

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

#### 16.2.4 TERMINATION BENEFITS

Termination benefits are recognised as an expense when the municipality is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the municipality has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

#### 17 VALUE ADDED TAX (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis.

## IMPAIRMENT OF ASSETS

Primary objective for cash generating assets is to generate a commercial return and the primary objective for non-cash generating asset is service delivery. The municipality uses the following sets of questions as a criteria to distinguish between cash generating and non-cash generating assets:

- (a) Was the asset acquired to generate a commercial return?
- (b) Does the asset operate independently from other assets?
- (c) Does the asset generate cash flows independently from other assets?

If the answer is yes to all of these questions, then the municipality accounts for the asset as a cash generating asset. If the above criteria is not met, the municipality accounts for the asset as non-cash generating asset.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a non-cash generating unit is the higher of its fair value less costs to sell and its value in use. The recoverable carrying amount is higher of its fair value less cost to sell and its value in use.

Value in use of a cash generating asset is determined as the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. Value in use of a non-cash generating asset is determined as the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

**TRADE AND OTHER RECEIVABLES FROM  
2 EXCHANGE TRANSACTIONS**

**Trade receivables**  
**As at 30 June 2016**

**Service debtors**

	Gross Balances R	Provision for Bad debts	Net Balance	IDM Total
Water and Sewerage	211 612 744	132 316 623	79 296 120	79 296 120
Direct Deposits	(1 368 375)	-	(1 368 375)	(1 368 375)
<b>Total</b>	<b>210 244 368</b>	<b>132 316 623</b>	<b>77 927 745</b>	<b>77 927 745</b>

**Other Receivables**

Umngeni water debtor	2 506 818	-	2 506 818	2 506 818
Department of Education	5 677 477	-	5 677 477	
Accrued interest	85 572	-	85 572	85 572
Ilembe Enterprise	-	-	-	
Outstanding deposits	2 248 647	-	2 248 647	2 248 647
Sundry Debtors	1 955 300	-	1 955 300	1 955 300
Other debtors	5 215 821	-	5 215 821	5 166 323
RD Cheques	-	-	-	-
Sundry Debtors - F/W Expenditure	25 765	20 750	5 015	5 015
Acknowledgement of debt	525 423	-	525 423	525 423
Vat receivable	15 737 693	-	15 737 693	16 026 392
<b>Total other Receivables</b>	<b>33 978 514</b>	<b>20 750</b>	<b>33 957 764</b>	<b>28 519 489</b>

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

<b>Total Trade and other receivables</b>	<b>244 222 882</b>	<b>132 337 373</b>	<b>111 885 509</b>	<b>106 447 234</b>
--	--------------------	--------------------	--------------------	--------------------

**as at 30 June 2015**

**Service debtors**

Water and Sewerage	209 575 679	88 852 177	120 723 502	120 723 502
Direct Deposits	(2 017 332)	-	(2 017 332)	(2 017 332)
<b>Total</b>	<b>207 558 347</b>	<b>88 852 177</b>	<b>118 706 170</b>	<b>118 706 170</b>

**Other receivables**

Umngeni water debtor	334 858	-	334 858	334 858
Department of Education	4 885 870	-	4 885 870	
Accrued interest	35 524	-	35 524	35 524
Outstanding deposits	1 512 610	-	1 512 610	1 512 610
Sundry Debtors	324 035	-	324 035	324 035
RD Cheques	3 685	-	3 685	3 685
Sundry Debtors - F/W Expenditure	15 015	10 000	5 015	5 015
Other debtors	4 625 701	-	4 625 701	4 479 271
Acknowledgement Of Debts	403 467	-	403 467	403 467
Vat receivable	10 731 280	-	10 731 280	10 731 280
<b>Other receivables</b>	<b>22 872 045</b>	<b>10 000</b>	<b>22 862 045</b>	<b>17 829 745</b>

<b>Total Trade and other receivables</b>	<b>230 430 392</b>	<b>88 862 177</b>	<b>141 568 215</b>	<b>136 535 915</b>
--	--------------------	-------------------	--------------------	--------------------

**Summary of Debtors by Customer Classification**

	Residential R	Industrial/Commercial R	National and Provincial Government R
<b>As at 30 June 2016</b>			
Current (0 – 30 days)	9 493 628	1 381 173	2 968 797
31 – 60 Days	6 042 035	638 174	2 366 731
61 – 90 Days	6 675 022	2 276 992	1 867 850
91 – 120 Days	6 326 705	131 538	(312 006)
121 – 365 Days	7 093 896	254 314	1 653 334
+ 365 Days	146 064 061	1 464 878	15 225 621
Sub-total	181 695 347	6 147 070	23 770 327
Less: Provision for doubtful debts	(132 316 623)	-	-
<b>Total debtors by customer classification</b>	<b>49 378 724</b>	<b>6 147 070</b>	<b>23 770 327</b>

**at 30 June 2015**

Current (0 – 30 days)	10 383 192	989 034	1 628 942
31 – 60 Days	8 758 160	2 586 947	1 438 393
61 – 90 Days	7 724 820	470 919	658 317
91 – 120 Days	6 892 410	151 941	524 142
121 – 365 Days	7 313 555	125 132	478 212
+ 365 Days	150 016 354	2 577 137	6 858 070
Sub-total	191 088 492	6 901 111	11 586 076
Less: Provision for doubtful debts	(88 852 177)	-	-
<b>Total debtors by customer classification</b>	<b>102 236 315</b>	<b>6 901 111</b>	<b>11 586 076</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b><u>Water and Sewerage: Ageing</u></b>				
Current (0 – 30 days)	13 843 597	13 843 597	13 001 169	13 001 169
31 - 60 Days	9 046 940	9 046 940	12 783 500	12 783 500
61 - 90 Days	10 819 864	10 819 864	8 854 057	8 854 057
91 - 120 Days	6 146 237	6 146 237	7 568 493	7 568 493
121 - 365 Days	9 001 545	9 001 545	7 916 899	7 916 899
+ 365 Days	162 754 560	162 754 560	159 451 561	159 451 561
<b>Total</b>	<b>211 612 744</b>	<b>211 612 744</b>	<b>209 575 679</b>	<b>209 575 679</b>

**Reconciliation of the doubtful debt provision**

Balance at beginning of the year	88 862 177	88 862 177	75 655 325	75 655 325
Contributions to provision	97 678 134	97 678 134	40 409 419	40 409 419
Bad debts recovered/ Consumer Accounts Adjustments	39 279 078	39 279 078	(3 402 441)	(3 402 441)
Doubtful debts written off against provision	(9 806 065)	(9 806 065)	(23 800 126)	(23 800 126)
Waiver of Debt (Mandeni) applied against the provision	(83 675 951)	(83 675 951)		
<b>Balance at end of year</b>	<b>132 337 373</b>	<b>132 337 373</b>	<b>88 862 177</b>	<b>88 862 177</b>

**3 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Petty cash and cash on hand	45 225	44 000	24 000	24 000
Credit Card	-	-	-	-
Bank statement balance	36 097 692	35 872 287	36 694 014	31 839 096
	<b>36 142 917</b>	<b>35 916 287</b>	<b>36 718 014</b>	<b>31 863 096</b>

The Municipality has the following bank accounts: -

**Water Bank Account**

*ABSA Bank Account - Durban Branch*  
*Account Number 4057878321 - Current Account*

Cash book balance at beginning of year	1 428 369	1 428 369	3 862 941	3 862 941
Cash book balance at end of year	(167 655)	(167 655)	1 428 369	1 428 369
Bank statement balance at beginning of year	1 863 088	1 863 088	3 190 450	3 190 450
Bank statement balance at end of year	665 025	665 025	1 863 088	1 863 088

**Salaries Bank Account**

*First National Bank - Durban Branch*  
*Account Number 62006302385 - Current Account*

Cash book balance at beginning of year	109 274	109 274	271 645	271 645
Cash book balance at end of year	46 022	46 022	109 274	109 274
Bank statement balance at beginning of year	109 404	109 404	271 645	271 645
Bank statement balance at end of year	46 022	46 022	109 404	109 404

**Main Bank Account**

*First National Bank Account - Durban Branch*  
*Account Number 50851211546 - Current Account*

Cash book balance at beginning of year	7 509 528	7 509 528	1 640 820	1 640 820
Cash book balance at end of year	(861 487)	(861 487)	7 509 528	7 509 528
Bank statement balance at beginning of year	7 854 676	7 854 676	2 397 916	2 397 916
Bank statement balance at end of year	10 082	10 082	7 854 676	7 854 676

**Revenue Bank Account**

*First National Bank - Durban Branch*  
*Account Number 62409366722 - Current Account*

Cash book balance at beginning of year	1 677 072	1 677 072	2 632 166	2 632 166
Cash book balance at end of year	2 459 601	2 459 601	1 677 072	1 677 072
Bank statement balance at beginning of year	1 747 075	1 747 075	2 734 324	2 734 324
Bank statement balance at end of year	912 060	912 060	1 747 075	1 747 075

**Projects Bank Account**

*First National Bank - Durban Branch*  
*Account Number 62046718641 - Current Account*

Cash book balance at beginning of year	1 507 621	1 507 621	9 063 597	9 063 597
Cash book balance at end of year	212 664	212 664	1 507 621	1 507 621
Bank statement balance at beginning of year	1 507 621	1 507 621	9 063 597	9 063 597
Bank statement balance at end of year	34 002 174	34 002 174	1 507 621	1 507 621

Inter Bank Transfers	-	-	-	-
----------------------	---	---	---	---



**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b>Enterprise Ilembe Produce Bank Account</b>				
ABSA - Public Sector KwaZulu Natal Account Number 4078679825 - Current Account				
Cash book balance at beginning of year	-		-	
Cash book balance at end of year			-	
Bank statement balance at beginning of year	-		-	
Bank statement balance at end of year			-	
<b>Enterprise Ilembe Rocabix - Trust Bank Account</b>				
First National Bank Account - Kloof Branch Account Number 62347813471 - Current Account				
Cash book balance at beginning of year	-		-	
Cash book balance at end of year			-	
Bank statement balance at beginning of year	-		-	
Bank statement balance at end of year			-	
<b>Enterprise Ilembe Rocablox - Trust Bank Account</b>				
First National Bank Account - Kloof Branch Account Number 62347813471 - Current Account				
Cash book balance at beginning of year	205 998		206 730	
Cash book balance at end of year	205 219		205 998	
Bank statement balance at beginning of year	205 998		206 730	
Bank statement balance at end of year	205 219		205 998	
<b>Enterprise Ilembe Rocabex - Trust Bank Account</b>				
First National Bank Account - Kloof Branch Account Number 62347813471 - Current Account				
Cash book balance at beginning of year	-			
Cash book balance at end of year				
Bank statement balance at beginning of year	-			
Bank statement balance at end of year				
<b><u>Enterprise Ilembe FNB Account - Stanger Branch</u></b>				
ABSA Bank Account - Business Centre KwaZulu Natal Account Number 4060362852 - Current Account				
Cash book balance at beginning of year	4 648 920		2 011 709	
Cash book balance at end of year	20 187		4 648 920	
Bank statement balance at beginning of year	4 648 920		2 011 709	
Bank statement balance at end of year	20 187		4 648 920	
<b><u>Enterprise Ilembe Main Bank Account</u></b>				
ABSA Bank Account - Business Centre KwaZulu Natal Account Number 4060362852 - Current Account				
Cash book balance at beginning of year	-		-	
Cash book balance at end of year			-	
Bank statement balance at beginning of year	-		-	
Bank statement balance at end of year			-	
<b><u>Investment Current Account</u></b>				
ABSA Bank Account - Durban Branch Account Number 9114541258 : Call Account				
Bank statement balance at the beginning of the year	111 679	111 679	107 817	107 817
Bank statement balance at the end of the year	1 180	1 180	111 679	111 679

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b><u>Investment Current Account</u></b>				
<i>ABSA Bank Account - Durban Branch</i>				
<i>Account Number 9183363524 : Call account</i>				
Bank statement balance at the beginning of the year	21 302	21 302	20 565	20 565
Bank statement balance at the end of the year	-	-	21 302	21 302
<b><u>Investment Current Account</u></b>				
<i>ABSA Bank Account - Durban Branch</i>				
<i>Account Number 9095950633 : Call Account</i>				
Bank statement balance at the beginning of the year	17 502	17 502	17 502	17 502
Bank statement balance at the end of the year	26	26	17 502	17 502
<b><u>Investment Current Account</u></b>				
<i>ABSA Bank Account - Durban Branch</i>				
<i>Account Number 2066739798 : Call account</i>				
Bank statement balance at the beginning of the year	-	-	-	-
Bank statement balance at the end of the year	-	-	-	-
<b><u>Investment Current Account</u></b>				
<i>ABSA Bank Account - Durban Branch</i>	-			
<i>Account Number 2070224909 : Call Account</i>				
Bank statement balance at the beginning of the year		-		-
Bank statement balance at the end of the year		-		-
<b><u>Investment Current Account</u></b>				
<i>ABSA Bank Account - Durban Branch</i>				
<i>Account Number 9216956711 - Call Account</i>				
Bank statement balance at the beginning of the year	11 815	11 815	21 693 144	21 693 144
Bank statement balance at the end of the year	-	-	11 815	11 815
<b><u>Investment Current Account</u></b>				
<i>First National Bank Account - Durban Branch</i>				
<i>Account Number 61085067093 : Call Account</i>				
Bank statement balance at the beginning of the year	10 289 249	10 289 249	1 095	1 095
Bank statement balance at the end of the year	19	19	10 289 249	10 289 249
<b><u>Investment Current Account</u></b>				
<i>First National Bank Account - Durban Branch</i>				
<i>Account Number 74091301628 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	-	-
Bank statement balance at the end of the year	-	-	-	-
<b><u>Investment Current Account</u></b>				
<i>First National Bank Account - Durban Branch</i>				
<i>Account Number 74104346206 : Call Account</i>				
Bank statement balance at the beginning of the year	455 540	455 540	455 540	455 540
Bank statement balance at the end of the year	-	-	455 540	455 540
<b><u>Investment Current Account</u></b>				
<i>First National Bank Account - Durban Branch</i>				
<i>Account Number 74453548694 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	669 084	669 084
Bank statement balance at the end of the year	-	-	-	-
<b><u>Investment Current Account</u></b>				
<i>First National Bank</i>				
<i>Account Number 62313562309 : Call Account</i>				
Bank statement balance at the beginning of the year	7 626 776	7 626 776	778 933	778 933
Bank statement balance at the end of the year	-	-	7 626 776	7 626 776

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b><u>Investment Current Account</u></b>				
<i>First National Bank Account - Durban Branch</i>				
<i>Account Number 62129309937 : Call Account</i>				
Bank statement balance at the beginning of the year	1 222	1 222	1 160	1 160
Bank statement balance at the end of the year	-	-	1 222	1 222
<b><u>Investment Current Account</u></b>				
<i>First National Bank Account - Durban Branch</i>				
<i>Account Number 74274097341 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	-	-
Bank statement balance at the end of the year	-	-	-	-
<b><u>Investment Current Account</u></b>				
<i>Standard Bank Account - Durban Branch</i>				
<i>Account Number 293302 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	-	-
Bank statement balance at the end of the year	-	-	-	-
<b><u>Investment Current Account</u></b>				
<i>Investec Bank Account - Durban Branch</i>				
<i>Account Number 1100-435877 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	-	-
Bank statement balance at the end of the year	-	-	-	-
<b><u>Investment Current Account</u></b>				
<i>Investec Bank Account - Durban Branch</i>				
<i>Account Number 50003100564 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	3 201 377	3 201 377
Bank statement balance at the end of the year	-	-	-	-
<b><u>Investment Current Account</u></b>				
<i>Rand Merchant Bank Account</i>				
<i>Account Number XS021900669 : Call Account</i>				
Bank statement balance at the beginning of the year	222 149	222 149	210 836	210 836
Bank statement balance at the end of the year	235 700	235 700	222 149	222 149
<b><u>Investment Current Account - Enterprise iLembe</u></b>				
<i>Investec: Sandton Branch,</i>				
<i>Account Number 50004108608</i>				
Bank statement balance at the beginning of the year	-	-	-	-
Bank statement balance at the end of the year	-	-	-	-
<b><u>Credit card</u></b>	-	-	-	-
<b><u>Petty cash and cash on hand</u></b>	45 225	44 000	24 000	24 000
<b><u>Total investments</u></b>	236 924	236 924	18 757 233	18 757 233
<b><u>Bank Statement Balance</u></b>	35 860 768	35 635 363	17 936 781	13 081 864
Cash book balance at beginning of year	17 110 781	12 255 863	19 689 608	17 471 168
Cashbook balance at year end	1 959 775	1 733 146	17 110 781	12 255 863

**4 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Department of Water & Sanitation (WSOG)	-	-	-	-
Ndwedwe Local Municipality (Town Development)	6 813 833	6 813 833	217 256	217 256
Department of Water & Sanitation (Emergency Drought Relief)	1 849 693	1 849 693	20 034 984	20 034 984
Department of Cooperative Governance & Traditional Affairs (MIG)	60 856 818	60 856 818	11 905 884	11 905 884
Department of Education				
Department of Water & Sanitation (MWIG)	20 762 391	20 762 391	14 787 180	14 787 180
Department of Water Affairs (RBIG/LTBWSS)	56 722 601	56 722 601	27 240 702	27 240 702
<b>Total Other Debtors</b>	<b>147 005 337</b>	<b>147 005 337</b>	<b>74 186 007</b>	<b>74 186 007</b>

**5 OTHER NON-CURRENT FINANCIAL ASSETS**

Investments in municipal entity - Enterprise Ilembe Development Agency	-	100	-	100
--	---	-----	---	-----

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 30 June 2016

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b>6 INVENTORIES</b>				
Opening balance of inventories:	14 941 091	14 941 091	7 078 439	7 078 439
Consumable stores - at Net Replacement Cost	14 523 286	14 523 286	6 815 465	6 815 465
Water	417 804	417 804	262 974	262 974
Movements:	(4 375 019)	(4 331 830)	7 862 652	7 862 652
Consumable stores	(4 375 019)	(4 375 019)	7 707 821	7 707 821
Water	-	43 188	154 830	154 830
Closing balance of inventories:	10 609 260	10 609 260	14 941 091	14 941 091
Consumable stores	10 148 268	10 148 268	14 523 286	14 523 286
Water	460 993	460 993	417 804	417 804

**7 NON-CURRENT RECEIVABLES**

Staff loans	271 808	271 808	236 494	236 494
Less: Provision for bad debts	(236 494)	(236 494)	(236 494)	(236 494)
<b>Total</b>	<b>35 314</b>	<b>35 314</b>	<b>-</b>	<b>-</b>

These loans were as a result of bursaries granted to certain staff members as part of a bursary scheme approved by council in previous financial years.

**8 INVESTMENTS**

Financial Instruments

ABSA zero coupon investment	24 419 710	24 419 710	22 982 423	22 982 423
-----------------------------	------------	------------	------------	------------

This investment has been ceded as security against the long term loan from ABSA disclosed in Note 15

**NOTES TO THE FINANCIAL STATEMENTS**  
As at 30 June 2016

**10 PROPERTY, PLANT AND EQUIPMENT**

**10.1 Reconciliation of Carrying Value**

	Land	Buildings	Agriculture PPE	Biological Assets	Infrastructure Water & Sewer	Assets Under Construction	Other Assets	Finance lease assets	Total	IDM Total
	R	R			R		R	R	R	R
<b>As at 1 July 2015</b>	3 242 908	11 195 774	13 527 562	-	1 096 340 743	400 557 513	6 432 962	28 088 001	1 559 386 466	1 533 050 758
Cost/Revaluation	-	18 499 380	18 323 645	-	1 408 106 012	400 557 513	18 915 941	41 809 100	1 909 454 695	1 877 904 322
Correction of prior year error (note 31) – Accumulated	-	(426 815)	-	-	(39 477 691)	-	39 194	421 560	(39 443 752)	-39 443 752
Accumulated depreciation and impairment losses	-	(6 875 790)	(4 796 283)	-	(272 287 576)	-	(12 522 172)	(14 142 659)	(310 624 481)	-305 409 604
<b>Acquisitions</b>	-	64 961	9 800	-	-	-	1 056 700	1 513 621	2 645 082	2 309 142
Capital under Construction	-	-	-	-	-	497 238 166	343 002	-	497 581 168	497 581 168
Depreciation	-	(784 539)	(1 232 205)	-	(47 698 071)	-	(1 854 364)	(13 536 482)	(65 105 661)	-63 746 402
<b>Carrying value of disposals</b>	-	-	(380 750)	-	(68 975)	-	(960 542)	(1 025 634)	(2 435 901)	-2 027 391
Cost/Revaluation	-	-	(1 022 280)	-	(796 376)	-	(4 233 020)	(3 211 760)	(9 263 435)	-8 173 278
Accumulated depreciation and impairment losses	-	-	641 530	-	727 400	-	3 272 478	2 186 126	6 827 533	6 145 887
<b>Impairment loss/Reversal of impairment loss</b>	-	-	(2 450 016)	-	(4 042 179)	-	(6 450)	-	(6 498 645)	-4 048 629
Transfers	-	-	-	-	146 573 535	(146 916 537)	-	-	(343 002)	-343 002
Other movements	-	-	-	-	-	-	-	-	-	-
<b>As at 30 June 2016</b>	3 242 908	10 477 197	9 474 391	-	1 191 105 054	750 879 142	5 011 308	15 039 505	1 985 229 506	1 962 775 646
Cost/Revaluation	-	18 564 341	17 311 365	-	1 553 883 172	750 879 142	16 121 817	40 110 961	2 400 113 706	2 369 739 109
Accumulated depreciation and impairment losses	-	(8 087 144)	(7 836 974)	-	(362 778 117)	-	(11 110 509)	(25 071 456)	(414 884 199)	-406 963 259

\*Other movements consist of .....

**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for year ended 30 June 2015

**10.2 Reconciliation of Carrying Value**

	Land	Buildings	Agriculture PPE	Biological Assets	Infrastructure Water & Sewer	Assets Under Construction	Other Assets	Finance lease assets	Total	IDM Total
	R	R			R	R	R	R	R	R
<b>As at 1 July 2014</b>	3 242 908	13 015 859	14 749 297	-	790 791 799	251 867 645	7 857 236	1 900 037	1 083 424 783	1 056 102 421
Cost/Revaluation	3 242 908	18 499 380	18 351 551	-	1 218 988 791	251 867 645	22 411 132	11 900 727	1 545 262 135	1 513 625 158
Correction of prior year error (note 31) - Cost	-	-	(27 706)	-	-	-	(239 333)	(754 119)	(1 021 158)	-754 119
Correction of prior year error (note 31) -	-	-	(85 706)	-	-	-	-61 113 00	676 877	530 058	676 877
Accumulated depreciation and impairment losses	-	-	(3 488 842)	-	(428 196 992)	-	(14 253 450)	(9 923 448)	(461 346 252)	-457 445 492
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-	-
<b>Acquisitions</b>	-	-	-	-	1 184 249	-	941 747	38 856 120	40 982 116	40 793 462
Capital under Construction	-	-	-	-	-	351 030 740	-	-	351 030 740	351 030 740
Depreciation	-	(687 873)	(1 235 918)	-	(39 805 968)	-	(2 379 329)	(12 974 949)	(57 084 036)	-55 704 461
Carrying value of disposals	-	-	-	-	-	-	(181 212)	(114 767)	(295 979)	-295 979
Cost/Revaluation	-	-	-	-	-	-	(4 189 391)	(8 193 628)	(12 383 019)	-12 383 019
Accumulated depreciation and impairment losses	-	-	-	-	-	-	4 008 179	8 078 860	12 087 039	12 087 039
Impairment loss/Reversal of impairment loss	-	-	14 183	-	83 736 016	-	155 123	-	83 905 322	83 701 461
Transfers	-	-	-	-	187 932 972	(202 340 873)	-	-	(14 407 900)	-14 407 900
*Other movements	-	(704 397)	-	-	111 979 368	-	-	-	111 274 971	111 274 971
<b>As at 30 June 2015</b>	3 242 908	11 623 589	13 527 562	-	1 135 318 434	400 557 513	6 393 567	27 666 441	1 598 830 016	1 572 494 717
Cost/Revaluation	3 242 908	18 499 380	18 323 845	-	1 408 106 012	400 557 513	18 915 941	41 809 100	1 909 454 699	1 877 904 322
Correction of prior year error (note 31) - Cost	-	-	-	-	-	-	-	-	-	-
Correction of prior year error (note 31) -	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	(4 796 283)	-	(272 287 576)	-	(12 522 374)	(14 142 659)	(310 624 683)	-305 409 604
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-	-

\*Other movements consist of .....

Refer to Appendix B for more detail on property, plant and equipment

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

**11 HERITAGE ASSETS**

	Moveable Objects	Total	IDM Total
<b>11.1 Reconciliation of carrying value</b>			
	R		
<b>As at 1 July 2015</b>	205 578	205 578	205 578
Cost	205 578	205 578	205 578
Accumulated impairment losses	-	-	-
<b>As at 30 June 2016</b>	205 578	205 578	205 578
Cost	205 578	205 578	205 578
Accumulated impairment losses	-	-	-
<b>11.2 Reconciliation of carrying value</b>			
	Moveable Objects R	Total R	
<b>as at 1 July 2014</b>	205 578	205 578	205 578
Cost	205 578	205 578	205 578
Accumulated impairment losses	-	-	-
<b>as at 30 June 2015</b>	205 578	205 578	205 578
Cost	205 578	205 578	205 578
Accumulated impairment losses	-	-	-

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

**12 INTANGIBLE ASSETS**

<b>12 Reconciliation of carrying value</b>	<b>Licenses</b>	<b>Computer Software</b>	<b>Total</b>	<b>IDM Total</b>
		<b>R</b>	<b>R</b>	
<b>As at 1 July 2015</b>	<b>2 665 864</b>	<b>2 176 290</b>	<b>4 842 156</b>	<b>4 833 796</b>
Cost	2 485 589	7 848 895	10 334 484	10 305 669
Prior year error	254 772		254 772	254 772
Accumulated amortisation and imp	(74 497)	(5 672 605)	(5 747 102)	(5 726 645)
Acquisitions	2 433 870	-	2 433 870	2 433 870
Other Movements		-	-	-
Amortisation	(1 885 086)	(4 242)	(1 889 328)	(1 885 086)
Carrying value of disposals	(11 001)	-	(11 001)	(11 001)
Cost	(67 100)	-	(67 100)	(67 100)
Accumulated amortisation	56 099	-	56 099	56 099
Impairment loss/Reversal of impair	-	-	-	
Transfers	-	-	-	
Other movements	-	-	-	
<b>As at 30 June 2016</b>	<b>3 203 647</b>	<b>2 172 048</b>	<b>5 375 697</b>	<b>5 371 579</b>
Cost	4 852 359	7 848 895	12 701 254	12 672 439
Accumulated amortisation and imp	(1 648 712)	(5 676 847)	(7 325 559)	(7 300 860)

**12 Reconciliation of carrying value**

	<b>Licenses</b>	<b>Computer Software</b>	<b>Total</b>	<b>IDM Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>As at 1 July 2014</b>	<b>2 129 936</b>	<b>3 895 847</b>	<b>6 025 782.74</b>	<b>6 010 666</b>
Cost	2 204 433	7 853 766	10 058 199	10 023 186
Accumulated amortisation and imp	(74 497)	(3 957 919)	(4 032 416)	(4 012 521)
Acquisitions	281 156	-	281 156	281 156
Other Movements		1 327		1 327
Amortisation	-	(1 710 725)	(1 710 725)	(1 704 782)
Carrying value of disposals		817	817	(5 743 141)
Cost	-	6 198	6 198	5 381
Accumulated amortisation	-	(5 381)	(5 381)	(5 748 523)
Impairment loss/Reversal of impair	-	-	-	
Transfers	-	-	-	
Other movements	-	-9 342.26	(9 342)	
<b>As at 30 June 2015</b>	<b>2 411 092</b>	<b>2 176 290</b>	<b>4 587 384.11</b>	<b>4 579 024</b>
Cost	2 485 589	7 848 895	10 334 484	10 305 669
Accumulated amortisation and imp	(74 497)	(5 672 605)	(5 747 102)	(5 726 645)



**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

**13 BIOLOGICAL ASSETS**

**13.1 Reconciliation of carrying value**

	Biological Assets R	Total R	IDM Total R
<b>As at 1 July 2015</b>	<b>2 774 800</b>	<b>2 774 800</b>	-
Cost	2 774 800	2 774 800	-
Accumulated amortisation and impairment losses	-	-	-
Loss on fair value	-	-	-
Amortisation	-	-	-
Carrying value of disposals	(1 600 400)	(1 600 400)	-
Cost	(1 600 400)	(1 600 400)	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
<b>As at 30 June 2016</b>	<b>1 174 400</b>	<b>1 174 400</b>	-
Cost	1 174 400	1 174 400	-
Accumulated amortisation and impairment losses	-	-	-

**13.2 Reconciliation of carrying value**

	Biological Assets R	Total R	IDM Total R
<b>As at 1 July 2014</b>	<b>2 018 320</b>	<b>2 018 320</b>	-
Cost	2 018 320	2 018 320	-
Accumulated amortisation and impairment losses	-	-	-
Loss on fair value	756 480	756 480	-
Amortisation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
<b>As at 30 June 2015</b>	<b>2 774 800</b>	<b>2 774 800</b>	-
Cost	2 774 800	2 774 800	-
Accumulated amortisation and impairment losses	-	-	-

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b>14 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>				
Trade creditors	68 019 395	64 812 230	102 846 537	102 846 537
Debtors with credit balances	7 790 533	7 236 456	4 299 669	4 299 669
Staff leave accrual	11 150 386	11 150 386	10 899 804	10 486 456
Outstanding Payments	34 826 489	34 826 489	345 279	345 279
RD Cheques	42 300	42 300		
Other creditors	217 069 838	217 291 187	128 080 375	139 688 896
Consumer water deposits	5 185 167	5 185 167	4 993 192	4 993 192
13th Cheque	4 428 484	4 428 484	4 226 942	4 226 942
Vat payable		-	14 837 503	-
<b>Total creditors</b>	<b>348 512 591</b>	<b>344 972 698</b>	<b>270 529 302</b>	<b>266 886 973</b>

The fair value of trade and other payables approximates their carrying amounts.

**15 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

<b>Unspent Conditional Grants and Receipts</b>				
Provincial Township Establishment	1 166 610	1 166 610	1 166 610	1 166 610
Water Services Operating Grant	2 915 980	2 915 980		
Agri Processing Facilities Ex DCGTA	1 679 958	-	2 210 158	-
LED Strategy	335 182	-	335 182	-
EPWP	-	-	2 267 171	2 267 171
DROUGHT (NDMC)	-	-	5 468 894	5 468 894
Rural Transport Service Grant	104 891	104 891	-	-
Grants - Other	300 000	300 000	864 846	864 846
Disaster Management		-	55 317	-
Amacambini Dev Project Ex DCGTA	757 666	-	757 666	-
Integrated Craft Hub		-	3 115	-
Maphumulo Small Town Rehabilitation	85 965	-	85 965	-
Nonoti Beach Resort		-	49 123	-
Moringa Tree Plantations	2 400 001	-	2 400 001	-
Fresh Produce Market	278 049	-	278 049	-
Tourism King Shaka Route	57 000	-	30 114	-
IDC Projects Grant	15 835	-	3 115 835	-
Growth Summit	74 330	-	148 804	-
<b>Total Unspent Conditional Grants and Receipts</b>	<b>10 171 467</b>	<b>4 487 482</b>	<b>19 236 850</b>	<b>9 767 522</b>
<b>Non-current unspent conditional grants and receipts</b>			-	-
<b>Current portion of unspent conditional grants and receipts</b>	<b>10 171 467</b>	<b>4 487 482</b>	<b>19 236 850</b>	<b>23 475 118</b>

See Note 21 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

**16 BORROWINGS**

Development Bank of South Africa	54 611 487	54 611 487	60 594 635	60 594 635
ABSA	30 000 000	30 000 000	30 787 808	30 787 808
	<b>84 611 487</b>	<b>84 611 487</b>	<b>91 382 443</b>	<b>91 382 443</b>
<b>Less : Current portion transferred to current liabilities</b>	<b>6 652 583</b>	<b>6 652 583</b>	<b>1 516 041</b>	<b>1 516 041</b>
Development Bank of South Africa	5 864 775	5 864 775	1 516 041	1 516 041
ABSA	787 808	787 808	-	-
<b>Non current portion of borrowings</b>	<b>77 958 904</b>	<b>77 958 904</b>	<b>89 866 402</b>	<b>89 866 402</b>

Development Bank of South Africa

Bear interest at rates between 9.02% and 11.04% per annum and are repayable every six months with the last repayment due on 30 September 2025.

**ABSA Loan**

Bears interest at 10.8% per annum, interest is paid quarterly and the loan is repayable in 2025.

Refer to Appendix A for more detail on borrowings.

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b>17 FINANCE LEASE LIABILITY</b>				
As at 30 June 2016				Present value of minimum lease payments R
Amounts payable under finance leases	Minimum lease payment R	Future finance charges R		
Within one year	17 579 475	2 115 699		15 463 776
Within two to five years	8 277 303	297 157		7 980 147
	<u>25 856 778</u>	<u>2 412 855</u>		<u>23 443 923</u>
Less: Amount due for settlement within 12 months (current portion)				<u>15 463 776</u>
				<u>7 980 147</u>

The leases are for a variety of motor vehicles and computers equipment that are utilised in the course of performing the Municipality's powers and functions.

Motor vehicle leases are for three years. The interest rates vary between 9.0% and 15.5%. The termination dates vary between November 2015 and June 2017. The leases are repaid monthly and include maintenance and make provision for the payment of excess distance travelled where applicable. At the termination of the leases the vehicles revert to the lessor.

Computer equipment leases are for three years. The interest rate charged is linked to the prime rate. The termination dates vary between June 2014 and May 2017. The leases are repaid monthly and include maintenance and insurance. At termination of the leases the computer equipment revert to the lessor.

as at 30 June 2015	Minimum lease payment R	Future finance charges R		Present value of minimum lease payments R
Amounts payable under finance leases				
Within one year	10 814 535	2 388 165		8 426 370
Within two to five years	29 729 744	6 532 880		23 196 864
Adjustment	579 493			579 493
	<u>41 123 772</u>	<u>8 921 045</u>		<u>32 202 727</u>
Less: Amount due for settlement within 12 months (current portion)				<u>8 426 370</u>
				<u>23 776 357</u>

The leases are for a variety of motor vehicles that are utilised in the course of performing the Municipality's powers and functions. The leases are for five years and 240 000 kilometres. The interest rates vary between 9.0% and 15.5%. The termination dates vary between November 2013 and November 2015. The leases are repaid monthly and include maintenance and make provision for the payment of excess distance travelled where applicable. At the termination of the leases the vehicles revert to the lessor.

**18 SERVICE CHARGES**

Sale of water	95 899 055	95 899 055	103 577 824	103 577 824
Sewerage and sanitation charges	59 104 375	59 104 375	50 689 218	50 689 218
Revenue Forgone	(9 855 513)	(9 855 513)	(9 266 144)	(9 266 144)
<b>Total Service Charges</b>	<b>145 147 918</b>	<b>145 147 918</b>	<b>145 000 897</b>	<b>145 000 897</b>

Sale of water is broken down into prepaid sales and conventional meters water sales.

<b>18.1 Sale of Water</b>				
Prepaid water sales	25 250 754	25 250 754	15 366 360	15 366 360
Conventional meters water sales	70 648 301	70 648 301	88 211 464	88 211 464
	<u>95 899 055</u>	<u>95 899 055</u>	<u>103 577 824</u>	<u>103 577 824</u>
Revenue Forgone	(294 564)	(294 564)	(787 787)	(787 787)
<b>Total Water Sales</b>	<b>95 604 492</b>	<b>95 604 492</b>	<b>102 790 037</b>	<b>102 790 037</b>

**19 RENTAL OF FACILITIES AND EQUIPMENT**

Ilembe Auditorium	14 221	14 221	17 756	17 756
Rental of facilities	-	-	-	-
<b>Total rentals</b>	<b>14 221</b>	<b>14 221</b>	<b>17 756</b>	<b>17 756</b>

**20 INTEREST EARNED - BANK BALANCES**

Bank	<u>4 936 681</u>	<u>4 768 538</u>	<u>3 676 614</u>	<u>3 614 065</u>
------	------------------	------------------	------------------	------------------

**21 INTEREST EARNED - OUTSTANDING RECEIVABLES**

Interest on debtors	<u>18 195 506</u>	<u>18 195 506</u>	<u>14 393 406</u>	<u>14 393 406</u>
---------------------	-------------------	-------------------	-------------------	-------------------

**22 GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share	338 089 801	338 089 801	290 468 000	290 468 000
MIG Grant	238 540 934	238 540 934	200 084 058	200 084 058
Other Government Grants and Subsidies	332 239 667	326 300 121	223 185 687	222 107 830
<b>Total Government Grant and Subsidies</b>	<b>908 870 302</b>	<b>902 930 856</b>	<b>713 737 745</b>	<b>712 659 888</b>

**22.1 Equitable Share**

Balance unspent at beginning of year	-	-	-	-
Current year receipts	338 089 801	338 089 801	290 468 000	290 468 000
Conditions met - transferred to revenue	(338 089 801)	(338 089 801)	(290 468 000)	(290 468 000)
Conditions met	-	-	-	-

**22.2 Municipal Infrastructure Grant**

Balance unspent at beginning of year	(0)	-	3 193 174	3 193 174
Current year receipts	189 590 000	189 590 000	184 985 000	184 985 000
Conditions met - transferred to revenue	(238 540 934)	(238 540 934)	(200 084 058)	(200 084 058)
Adjustments and Transfers	(11 905 885)	(11 905 885)	11 905 884	11 905 884
<b>Conditions met - balance remain in transfer payments debtors</b>	<b>(60 856 818)</b>	<b>(60 856 818)</b>	<b>-0</b>	<b>-0</b>

Adjustments and transfers relate to amounts owed by COGTA, for which a debtor has been created (see note 4)

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b>22.3 VAT REFUNDS</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions met	-	-	-	-
<b>22.3 Other Grants</b>				
Balance unspent at beginning of year	864 846	864 846	992 800	992 800
Current year receipts	905 637	905 637	-	-
Conditions met - transferred to revenue	(1 470 483)	(1 470 483)	(127 954)	(127 954)
Adjustments and Transfers	-	-	-	-
Conditions met	300 000	300 000	864 846	864 846
<b>22.4 SECTION 78 GRANT</b>				
Balance unspent at beginning of year	-	-	200 000	200 000
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(200 000)	(200 000)
Conditions still to be met - remain liabilities (see note 14)	-	-	-	-
<b>22.5 WATER SERVICE OPERATING GRANT</b>				
Balance unspent at beginning of year	-	-	9 035 267	9 035 267
Current year receipts	4 000 000	4 000 000	-	-
Conditions met - transferred to revenue	(1 084 020)	(1 084 020)	(8 743 823)	(8 743 823)
Adjustments and Transfers	-	-	(291 445)	(291 445)
Conditions met	2 915 980	2 915 980	-	-
<b>22.6 WATER SERVICE OPERATING GRANT - SUNDUMBILI</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	-	-	4 500 000	4 500 000
Conditions met - transferred to revenue	-	-	(4 500 000)	(4 500 000)
Conditions still to be met - remain liabilities (see note 14)	-	-	-	-
<b>22.7 MASSIFICATION - MANDENI WATER CONSERVATION AND DEMAND MANAGEMENT</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	-	-	9 931 000	9 931 000
Conditions met - transferred to revenue	-	-	(9 931 000)	(9 931 000)
Adjustments and Transfers	-	-	-	-
Conditions still to be met - remain liabilities (see note 14)	-	-	-	-
<b>22.8 REGIONAL BULK INFRASTRUCTURE GRANT - LTBWSS</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	100 977 074	100 977 074	57 180 362	57 180 362
Conditions met - transferred to revenue	(141 075 826)	(141 075 826)	(75 351 400)	(75 351 400)
Adjustments and Transfers	(16 623 850)	(16 623 850)	18 171 038	18 171 038
Conditions met - balance remain in transfer payments debtors	(56 722 601)	(56 722 601)	-	-
Adjustments and transfers relate to amounts owed by the Department of Water Affairs, for which a debtor has been created (see note 4), amounts received pertaining to debtors for the previous financial year.				
<b>22.9 RURAL TRANSPORT SERVICE</b>				
Balance unspent at beginning of year	-	-	267 488	267 488
Current year receipts	2 116 000	2 116 000	2 120 000	2 120 000
Conditions met - transferred to revenue	(2 003 058)	(2 003 058)	(2 387 488)	(2 387 488)
Adjustments and Transfers	(8 050)	(8 050)	-	-
Conditions still to be met - remain liabilities (see note 14)	104 891	104 891	-	-
<b>22.10 DISASTER MANAGEMENT GRANT (DBSA)</b>				
Balance unspent at beginning of year	-	-	165 476	165 476
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(165 476)	(165 476)
Conditions still to be met - remain liabilities (see note 14)	-	-	-	-
<b>22.11 SHARED SERVICES GRANT (DPSS)</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	250 000	250 000	-	1 000 000
Conditions met - transferred to revenue	(250 000)	(250 000)	-	(1 000 000)
Adjustments and Transfers	-	-	-	-
Conditions met	-	-	-	-

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b>22.12 MUNICIPAL WATER INFRASTRUCTURE GRANT</b>				
Balance unspent at beginning of year	-	-	517 772	517 772
Current year receipts	125 366 820	125 366 820	39 000 000	39 000 000
Conditions met - transferred to revenue	(146 129 211)	(146 129 211)	(54 304 952)	(54 304 952)
Adjustments and Transfers	-	-	14 787 180	14 787 180
Conditions met - balance remain in transfer payments debtors	(20 762 391)	(20 762 391)	-	-
<b>22.13 PROVINCIAL TOWNSHIP ESTABLISHMENT</b>				
Balance unspent at beginning of year	1 166 610	1 166 610	1 319 805	1 319 805
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(153 195)	(153 195)
Adjustments and Transfers	-	-	-	-
Conditions still to be met - remain liabilities (see note 14)	1 166 610	1 166 610	1 166 610	1 166 610
Adjustments and transfers relate to debtors owed by Department of water and sanitation (see note 4)				
<b>22.14 Municipal Governance &amp; Admin</b>				
Balance unspent at beginning of year	-	-	198 015	198 015
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(87 079)	(87 079)
Adjustments and Transfers	-	-	(110 936)	(110 936)
Conditions still to be met - remain liabilities (see note 14)	-	-	-	-
<b>22.15 12.1 Grant Local Economic Development Strategy Ex COGTA</b>				
Balance unspent at beginning of year	2 210 159	-	2 418 580	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-530 200	-	(208 421)	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met - remain liabilities (see note 14)	1 679 959	-	2 210 159	-
<b>22.16 CORRIDOR - NORTH URBAN DEVELOP PLAN PHASE 2</b>				
Balance unspent at beginning of year	0	0	535 864	535 864
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(535 864)	(535 864)
Adjustments and Transfers	-	-	-	-
Conditions still to be met - remain liabilities (see note 14)	0	0	-	0
<b>22.17 RURAL HOUSING GRANT</b>				
Balance unspent at beginning of year	-	-	4 000 000	4 000 000
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(3 996 000)	(3 996 000)
Adjustments and Transfers	-	-	(4 000)	(4 000)
Conditions still to be met	-	-	-	-
<b>22.18 FRESH PRODUCE MARKET IN STANGER</b>				
Balance unspent at beginning of year	278 049	-	278 049	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met - remain liabilities (see note 14)	278 049	-	278 049	-
<b>22.19 KWADUKUZA MUNICIPAL INFRASTRUCTURE GRANT</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	6 100 223	6 100 223	19 939 656	19 939 656
Conditions met - transferred to revenue	(5 417 819)	(5 417 819)	(16 130 639)	(16 130 639)
Adjustments and Transfers	(682 404)	(682 404)	(3 809 017)	(3 809 017)
Conditions met	-	-	-	-
<b>22.20 FINANCIAL MANAGEMENT GRANT</b>				
Balance unspent at beginning of year	-	-	141 332	141 332
Current year receipts	1 250 000	1 250 000	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 148 086)	(1 148 086)	(1 391 332)	(1 391 332)
Adjustments and Transfers	(101 914)	(101 914)	-	-
Conditions still to be met	-	-	-	-
<b>22.21 MUNICIPAL SYSTEMS IMPROVEMENT GRANT</b>				
Balance unspent at beginning of year	0	0	-	-
Current year receipts	940 000	940 000	934 000	934 000
Conditions met - transferred to revenue	(940 000)	(940 000)	(934 000)	(934 000)
Conditions still to be met - remain liabilities (see note 14)	0	0	0	0

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b>22.22 EXPANDED PUBLIC WORKS PROGRAMME</b>				
Balance unspent at beginning of year	2 267 171	2 267 171	2 349 000	2 349 000
Current year receipts	1 536 000	1 536 000	2 218 000	2 218 000
Conditions met - transferred to revenue	(537 370)	(537 370)	(2 299 829)	(2 299 829)
Adjustments and Transfers	(3 265 801)	(3 265 801)	-	-
Conditions met	-	-	2 267 171	2 267 171
	-	-	-	-
<b>22.25 ENVIRONMENTAL MANAGEMENT FRAMEWORK</b>				
Balance unspent at beginning of year	-	-	24459.00	24459.00
Conditions met - transferred to revenue	-	-	0.00	0.00
Adjustments and Transfers	-	-	-24459.00	-24459.00
Conditions met	-	-	-	-
	-	-	-	-
<b>22.26 Grant Disaster Management</b>				
Balance unspent at beginning of year	55 318	-	55 318	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	(55 318)	-	-	-
Conditions met	-	-	55 318	-
	-	-	-	-
<b>22.27 NDWEDWE TOWN DEVELOPMENT</b>				
Balance unspent at beginning of year	-	-	507 707	507 707
Current year receipts	9 668 990	9 668 990	5 383 726	5 383 726
Conditions met - transferred to revenue	(14 458 617)	(14 458 617)	(5 358 499)	(5 358 499)
Adjustments and Transfers	(2 024 206)	(2 024 206)	(532 934)	(532 934)
Conditions still to be met - remain liabilities (see note 14)	(6 813 833)	(6 813 833)	-	-
	-	-	-	-
<b>22.28 12.6 Grant Amacambini Dev Project Ex DCGTA</b>				
Balance unspent at beginning of year	757 666	-	757 666	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met - remain liabilities (see note 15)	757 666	-	757 666	-
	-	-	-	-
<b>22.29 Customer Satisfaction Survey</b>				
Balance unspent at beginning of year	-	-	26 958	26 958
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	(26 958)	(26 958)
Conditions still to be met - remain liabilities (see note 15)	-	-	-	-
	-	-	-	-
<b>22.30 DROUGHT RELIEF GRANT - NATIONAL DISASTER MANAGEMENT GRANT (DWS)</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	4 054 504	4 054 504	10 693 210	10 693 210
Conditions met - transferred to revenue	(5 205 200)	(5 205 200)	(30 728 194)	(30 728 194)
Adjustments and Transfers	(698 998)	(698 998)	20 034 984	20 034 984
Conditions still to be met - remain liabilities (see note 14)	(1 849 693)	(1 849 693)	-	-
	-	-	-	-

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b>22.31 DROUGHT RELIEF GRANT - NATIONAL DISASTER MANAGEMENT GRANT (COGTA/NDMC)</b>				
Balance unspent at beginning of year	5 468 894	5 468 894	-	-
Current year receipts			9 250 000	9 250 000
Conditions met - transferred to revenue	(5 468 894)	(5 468 894)	(3 781 106)	(3 781 106)
Adjustments and Transfers			-	-
Conditions still to be met - remain liabilities (see note 15)	-	-	5 468 894	5 468 894
<b>22.32 Grant local Economic Development Strategy Ex COGTA</b>				
Balance unspent at beginning of year	335 182		335 182	
Current year receipts				
Conditions met - transferred to revenue				
Adjustments and Transfers				
Conditions still to be met - remain liabilities (see note 15)	335 182	-	335 182	-
<b>22.33 14.17 Growth Summit</b>				
Balance unspent at beginning of year	148 804		148 804	
Current year receipts				
Conditions met - transferred to revenue	-74474			
Adjustments and Transfers				
Conditions still to be met - remain liabilities (see note 15)	74 330	-	148 804	-
<b>22.34 Grant Ilembe District Municipality - Tourism</b>				
Balance unspent at beginning of year	444 426		226 031	
Current year receipts	1 200 000		1 050 000	
Conditions met - transferred to revenue	-1 330 645		-	
Adjustments and Transfers	-26 886		(831 605)	
Conditions still to be met - remain liabilities (see note 15)	286 895	-	444 426	-
<b>22.36 Grant Integrated Craft Hub</b>				
Balance unspent at beginning of year	3 115		227 315	
Current year receipts				
Conditions met - transferred to revenue	0		(224 200)	
Adjustments and Transfers	-3114.84			
Conditions met	-	-	3 115	-
<b>22.37 Grant Nonoti Beach Resort Business Plan</b>				
Balance unspent at beginning of year	49 123		49 123	
Current year receipts				
Conditions met - transferred to revenue				
Adjustments and Transfers	-49 123			
Conditions met	0	-	49 123	-
<b>22.38 Grant Maphumulo Small Town Regeneration</b>				
Balance unspent at beginning of year	85 965		85 965	
Current year receipts			-	
Conditions met - transferred to revenue			-	
Adjustments and Transfers			-	
Conditions still to be met - remain liabilities (see note 15)	85 965	-	85 965	-
<b>22.39 Grant Moringa Tree Plantation</b>				
Balance unspent at beginning of year	2 400 001		2 400 000	
Current year receipts				
Conditions met - transferred to revenue				
Adjustments and Transfers				
Conditions still to be met - remain liabilities (see note 15)	2 400 001	-	2 400 000	-
<b>22.40 Grant Siza Water Concession</b>				
Balance unspent at beginning of year	243 322		243 322	
Current year receipts				
Conditions met - transferred to revenue				
Adjustments and Transfers	-243 322			
Conditions met	-	-	243 322	-

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b>22.41 Projects Ex IDC</b>				
Balance unspent at beginning of year	3 115 836		285 836	
Current year receipts	-		2 830 000	
Conditions met - transferred to revenue				
Adjustments and Transfers	-3 100 000			
Conditions still to be met - remain liabilities (see note 15)	15 836	-	3 115 836	-

<b>22.42 Ndwedwe Tunnel</b>				
Balance unspent at beginning of year	-		275 350	
Current year receipts				
Conditions met - transferred to revenue	-		(275 350)	
Adjustments and Transfers				
Conditions met	-	-	-	-

<b>22.43 12.17 Tourism King Shaka Route</b>				
Balance unspent at beginning of year	30 114		400 000	
Current year receipts				
Conditions met - transferred to revenue	-		(369 886)	
Adjustments and Transfers	26 886			
Conditions still to be met - remain liabilities (see note 15)	57 001	-	30 114	-

Adjustments and transfers relate to amounts owed by the Department of Water and Sanitation, for which a debtor has been created.

**23 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS**

<b>23.1 Other income</b>				
Tender Documents	262 888	262 888	148 071	148 071
Telephone recovered	123 815	123 815	226 809	226 809
Clearance certificates	978 849	978 849	925 297	925 297
Private developers	3 421 038	3 421 038	-	-
Siza Water Concession	1 531 387	1 531 387	1 464 156	1 464 156
Insurance proceeds	-	-	2 706	2 706
Interest on bank accounts			-	-
Department of Education	17 334 090		13 763 167	
LG Seta Income	464 609	464 609		
Developers Capital Contribution			-	-
Enterprise Ilembe		1 166 764		
Shared Service	2 256 670	2 256 670	1 833 251	1 833 251
New connections	1 312	1 312	-	-
Val Refunds	-	-	-	-
Other income	1 267 954	247 750	1 323 453	2 612 585
	27 642 612	10 455 083	19 686 911	7 212 856

**24 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	121 891 003	112 748 990	115 251 909	107 184 213
Employee related costs - Contributions for UIF, pensions and medic	22 837 597	22 796 879	20 654 896	20 654 896
Travel, motor car, accommodation, subsistence and other allowance	4 681 415	4 681 415	4 193 857	3 977 579
Housing benefits and allowances	1 323 389	1 323 389	758 426	758 426
Overtime payments	6 490 264	6 490 264	6 283 619	6 283 619
Performance and other bonuses	8 495 067	8 495 067	8 251 511	8 251 511
Long-service awards	1 272 520	1 272 520	1 592 129	1 592 129
Other employee related costs	4 713 989	4 507 337	4 916 806	4 710 840
Employee Related Costs	171 705 244	162 315 862	161 903 153	153 413 213

There were no advances to employees.

<b>Remuneration of the Municipal Manager</b>				
Annual Remuneration	1 036 486	1 036 486	82 474	82 474
Travel, motor car, accommodation, subsistence	134 957	134 957	11 246	11 246
Contributions to UIF, Medical and Pension Funds and other allowance	1 785	1 785	149	149
13th Cheque Provision	62 480	62 480	7 810	7 810
Total	1 235 708	1 235 708	101 679	101 679

The Municipal Manager position was filled in June 2015

<b>Remuneration: CEO Enterprise Ilembe</b>				
Remuneration of the Chief Executive Officer	1 369 305		744 254	
Acting Allowances- T Mkhwanazi ( December - Feb 2015)			42 525	
Travel, motor car, accommodation, subsistence			460 795	
Other	1 369 305	-	1 247 574	-
Total				

<b>Remuneration of the Chief Financial Officer</b>				
Annual Remuneration	953 230	953 230	899 274	899 274
Travel, motor car, accommodation, subsistence	209 246	209 246	198 401	198 401
Contributions to UIF, Medical and Pension Funds and other allowance	1 785	1 785	1 785	1 785
Total	1 164 261	1 164 261	1 099 459	1 099 459

<b>Remuneration: CFO Enterprise Ilembe</b>				
Annual Remuneration	852 000		873 544	
Travel, motor car, accommodation, subsistence	-		-	
Other	-		-	
Total	852 000	-	873 544	-



ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

The CFO resigned in March 2015 and the CEO was appointed as the Acting CFO in April 2015. The current CFO was appointed on 12 September 2015.

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
Remuneration of Individual Executive Directors				
As at 30 June 2016				
Annual Remuneration	1 137 630	769 027		1 098 611
Travel, motor car, accommodation, subsistence :	-	254 603		-
Contributions to UIF, Medical and Pension Fund:	1 785	76 765		1 785
<b>Total</b>	<b>1 139 415</b>	<b>1 100 395</b>	<b>-</b>	<b>1 100 395</b>

	Technical Services R	Corporate Services R	Corporate Governance R
June 2015			
Annual Remuneration	274 169	725 498	1 016 113
Travel, motor car, accommodation, subsistence :	-	240 192	20 313
Contributions to UIF, Medical and Pension Fund:	446	72 521	1 785
<b>Total</b>	<b>274 615</b>	<b>1 038 210</b>	<b>1 038 210</b>

The position for Director: Technical Services is currently vacant.

## 25 REMUNERATION OF COUNCILLORS

Mayor	854 676	854 676	791 402	791 402
Deputy Mayor	756 397	756 397	700 142	700 142
Speaker	457 790	457 790	413 360	413 360
Executive Committee Members	1 830 606	1 830 606	1 658 603	1 658 603
Councillors' Allowances	5 508 684	5 508 684	4 456 769	4 456 770
Councillors' pension and medical aid contributions	303 744	303 744	569 310	569 310
<b>Total Councillors' Remuneration</b>	<b>9 713 898</b>	<b>9 713 898</b>	<b>8 589 586</b>	<b>8 589 586</b>

### In-kind Benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Deputy Mayor and Speaker has use of the Council owned vehicle for official duties. The Mayor has 2 full-time bodyguards.

## REMUNERATION OF BOARD MEMBERS:

### Attendance fees at meetings:

B N Linda (Re-appointed November 2014)	103 463	109 874
I Dootlefs (Re-appointed November 2014)	93 437	84 973
P M Mabaso (Resigned - October 2014)	-	29 556
R Meer (Resigned- April 2015)	-	60 601
J Wiltshire (Resigned October 2014)	-	27 217
ZP Zeka (Appointed November 2014)	62 420	50 613
AT Nzama (Appointed November 2014)	87 437	57 287
K Oelofse (Appointed November 2014)	102 437	58 836
K S Shandu (Appointed November 2015)	47 613	
DP Nene (Appointed November 2015)	58 347	
<b>Total Board Members' Remuneration</b>	<b>555 156</b>	<b>478 957</b>

## 26 DEPRECIATION, IMPAIRMENT AND AMORTISATION EXPENSE

Depreciation	65 105 661	63 746 402	(54 190 935)	(55 570 510)
Impairment of Assets	6 498 645	4 048 629	(83 655 289)	(83 655 289)
Intangible assets	1 889 328	1 885 086	1 710 725	1 704 782
<b>Total Depreciation, Impairment and Amortisation</b>	<b>73 493 635</b>	<b>69 680 117</b>	<b>(136 135 499)</b>	<b>(137 521 017)</b>

The impairment recognized mainly relates to impairment of infrastructure assets due to significant changes in the remaining useful lives of these assets.

## 27 FINANCE COSTS

Borrowings	6 019 226	6 019 226	8 524 798	8 524 798
Leases	2 428 583	2 428 583	2 722 135	2 722 135
<b>Total Finance Costs</b>	<b>8 447 809</b>	<b>8 447 809</b>	<b>11 246 933</b>	<b>11 246 933</b>

## 28 BULK PURCHASES

Electricity	-	-	-	-
Water	62 752 475	62 752 475	74 440 680	74 440 680
<b>Total Bulk Purchases</b>	<b>62 752 475</b>	<b>62 752 475</b>	<b>74 440 680</b>	<b>74 440 680</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

	<b>GROUP 2016 R</b>	<b>IDM 2016 R</b>	<b>GROUP 2015 R</b>	<b>IDM 2015 R</b>
<b>29 CONTRACTED SERVICES</b>				
Contracted services for:				
Management Contact WSSA	-	-	-	-
Lease of Machinery & Equipment	-	-	380 201	380 201.42
Reconnections/Disconnections	-	-	-	-
Plant Hire	30 926 924	30 926 924	31 116 392	31 116 391.60
Security	20 555 719	20 555 719	16 259 639	16 259 638.86
Salga games	5 856 628	5 856 628	4 660 313	4 660 312.73
Rental of Smart Boxes	183 320	183 320	20 693	20 693.34
Meter reading contractors	27 600	27 600	149 835	149 835.00
Fax & Copier rentals	2 965 586	2 965 586	2 530 358	2 530 358.21
Lease of Vehicles	6 845 293	6 845 293	7 391 456	7 391 456.00
Rental of Buildings	32 944	15 720	346 952	219 347.42
Vehicle Hire	719 727	719 727	1 966 602	1 966 600.36
Insurance	1 743 687	1 743 687	2 023 581	2 021 836.10
	<b>69 857 428</b>	<b>69 840 204</b>	<b>66 846 022</b>	<b>66 716 671</b>
<b>30 GRANT EXPENSES</b>				
Grant Expenditure	<b>32 584 355</b>	<b>28 879 681</b>	<b>35 295 495</b>	<b>34 217 638</b>
	<b>61 324 712</b>	<b>28 879 681</b>	<b>65 408 449</b>	<b>34 217 638</b>
Finance Management Grant Expenditure	1 251 519	1 251 519	1 359 053	1 359 053
Rams Grant Operating Expenditure	1 921 807	1 921 807	2 220 349	2 220 349
Integrated Craft Hub	-	-	224 200	-
NDWEDWE TUNNELS	530 200	-	483 771	-
GROWTH SUMMIT	74 474	-	-	-
Development Planning & Shared Services Expenditure	139 324	139 324	-	-
King Shaka Tourism Route	-	-	369 886	-
PROVINCIAL TOWNSHIP ESTABLISHMENT	-	-	134 381	134 381
MUNICIPAL GOV & ADMINISTRATION	-	-	87 079	87 079
SPATIAL DEVELOPMENT PLAN	-	-	377 960	377 960
RURAL HOUSEHOLD GRANT	-	-	3 505 263	3 505 263
IDC	3 100 000	-	-	-
Maphumulo HH Sanitation	8 672 816	8 672 816	9 753 554	9 753 554
Mandeni Ward 16 HH Sanitation	7 989 479	7 989 479	6 913 678	6 913 678
Ndwedwe HH Sanitation	8 904 737	8 904 737	9 866 321	9 866 321
<b>Nature of Expenditure on Grants Expenses</b>				
<b>30.1 Financial Managemnt Grant Expenditure</b>	<b>1 251 519</b>	<b>1 251 519</b>	<b>1 359 053</b>	<b>1 359 053</b>
Funds were spent as follows:				
Salaries & Allowances for interns in the Financial Management Internship Training				
<b>30.2 Rural Roads Assets Systems Management Grant (RRAMS) Expenditure</b>	<b>1 921 807</b>	<b>1 921 807</b>	<b>2 220 349</b>	<b>2 220 349</b>
This grant assists rural district municipalities to set up their road asset management systems, and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South				
The actual expenditure is in relation to:				
Project Management fees				
Appointment of graduates				
Related materials required				
<b>30.3 Municipal Infrastructure Grant - Operational Expenditure</b>	<b>25 567 032</b>	<b>25 567 032</b>	<b>26 533 553</b>	<b>26 533 553</b>
Operational MIG is utilised in the construction of VIP toilets				
Maphumulo HH Sanitation				
Mandeni Ward 16 HH Sanitation				
Ndwedwe HH Sanitation				
Funds were spent on project management fees, labour and procurement of materials.				
<b>30.4 Growth Summit Expenditure</b>	<b>74 474</b>		-	
Conference	74 474		-	
<b>30.5 IDC Grant Expenditure</b>	<b>3 100 000</b>		<b>224 200</b>	
Feasibility Study- Broad Band (Phase 2)	3 100 000			
Integrated Craft Hub			224 200	
<b>30.6 Ndwedwe Tunnels Grant Expenditure</b>	<b>530 200</b>		<b>369 886</b>	
Salaries for Hub employees	530 200			
King Shaka			369 886	

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b>31 GENERAL EXPENSES</b>				
Included in general expenses are the following:-				
Advertising	1 723 075	1 422 403	2 112 439	1 866 989
Audit fees	3 021 138	2 524 000	2 491 334	1 913 681
Bank charges	249 100	218 140	230 051	196 170
Broadband expenditure	1 500 000			
Cleaning	948 649	948 649	1 170 855	1 170 855
Conferences and delegations	25 184	25 184	56 150	56 150
SCHOOLS NUTRITION PROGRAM	16 101 567	-	12 130 638	-
Entertainment	1 122 862	1 067 703	1 189 832	1 133 584
Financial management grant	-	-	-	-
Fuel and oil	10 802 318	10 802 318	10 809 561	10 809 561
Insurance	-	-	-	1 745
IDP & Planning	24 960	24 960	721 767	721 767
Commission: Agency	1 089 122	1 089 122	330 864	330 864
Legal expenses	322 668	322 668	350 231	350 231
LG Seta Expenditure	126 654	126 654	1 294 055	1 294 055
Licence fees - vehicles	49 643	49 643	29 923	29 923
Membership fees	1 924 850	1 924 850	1 768 521	1 768 521
Postage	1 779 640	1 779 640	1 590 160	1 590 160
Disaster Management	1 638 260	1 638 260	1 600 301	1 600 301
Printing and stationery	1 143 893	1 025 834	1 012 903	889 342
Professional fees	1 958 820	1 187 675	3 588 008	3 057 144
Property rates	617 991	617 991	658 549	658 549
Special Projects - Youth, Gender, HIV	538 132	538 132	946 705	946 705
Sports Development	577 901	577 901	523 066	523 066
Subscription & publication	206 048	-	61 608	-
Telephone cost	3 225 059	3 081 667	3 216 601	3 169 200
Training	2 059 413	1 936 713	2 177 758	2 036 943
Transport claims	-	-	-	-
Travel and subsistence	2 598 573	2 243 555	3 185 842	2 887 777
Uniforms & overalls	1 603 082	1 603 082	1 813 490	1 813 490
Water and Sanitation	1 993 118	1 993 118	1 776 976	1 776 976
Water and Electricity	22 438 977	22 370 328	18 752 330	18 518 142
LED Projects		19 573 096	2 959 757	16 708 146
Shared Services	1 384 063	1 384 063	2 136 121	2 136 121
Public Participation	536 272	536 272	2 498 468	2 498 468
Siza Water	2 332 369	2 332 369	442 369	442 369
Other	6 755 885	4 487 553	7 659 290	7 024 617
	<b>92 419 285</b>	<b>89 453 542</b>	<b>91 286 524</b>	<b>89 921 612</b>

**32 CORRECTION OF PRIOR YEAR ERRORS AND CHANGE IN ACCOUNTING POLICY**

Property, plant and equipment	-	-	-	-
<i>Recognition of a change in the remaining useful life of assets that do not meet the requirements of a change in accounting</i>	254 772	254 772	(40 023 245)	(40 023 245)
Trade and other debtors				
<i>Adjustments affecting Consumer Debtors due to indigent rebates adjustments and clearing of unallocated deposits</i>	(3 769 483)	(3 769 483)	97 271	97 271
<i>Other debtors relating to enterprise ilembe alignment with IDM. Adjustments relating to staff recoveries</i>	102 245	102 245	(3 492 893)	(3 492 893)
Inventory Adjustments - Reversal of prior year net realisable value	396 873	396 873	1 579 824.47	1 579 824
Trade and other receivables from non exchange transactions				
<i>Reversal of conditions met due on grant due to cost not accepted as part of Drought Intervention, restatement of</i>	(3 143 847)	(1 048 038)		
Intangible Assets			1 327	1 327
Provision				
<i>adjustment to the 13th Cheque provision for December 2013</i>	-	-	(3 137 970)	(3 137 970)
Non Current Finance Lease Liability				

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<i>Correction of expenditure previously recognised as a lease liability, reversal of operational lease liability</i>	(531 740)	306 208	340 325	340 325
Trade and other Creditors			146 595	146 595
<i>Mainly transfer of prescribed creditors to revenue and reversal of invalid orders raised as accruals and Reversal of charges</i>	391 988	391 988	4 029 168	4 029 168
Other	46 492	46 492	(9 546)	(9 546)
	<u>(6 252 700)</u>	<u>(3 318 943)</u>	<u>(40 469 143)</u>	<u>(40 469 143)</u>

**33 CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year	422 484 254	419 779 531	489 815 535	488 751 999
Adjustment for:-				
Depreciation and amortisation	73 493 635	69 680 117	(136 135 500)	(137 521 017)
Forex Loss	422 371	422 371	6 245	(15 392)
Loss on disposal of PPE	1 127 527	1 127 527	(15 392)	6 245
Contribution to provisions - non-current	97 678 134	97 678 134	40 409 419	40 409 419
Contribution to provisions - current	1 507 006	1 507 006	1 592 129	1 592 129
Finance costs	8 447 809	8 447 809	11 246 933	11 246 933
Prior Year Adjustments	(6 252 700)	(3 318 943)	(355 139)	(40 469 143)
Investment Income	(4 936 681)	(4 768 538)	(3 676 614)	(3 614 065)
Bad debts written off	(9 806 065)	(9 806 065)	(23 800 126)	(23 800 126)
Operating surplus before working capital changes:	<u>580 173 806</u>	<u>580 748 950</u>	<u>379 611 849</u>	<u>336 586 981</u>
Increase in inventories	4 331 830	4 331 830	(7 862 652)	(7 862 652)
Increase/(decrease) in trade receivables	29 682 706	30 088 680	(30 754 172)	(26 458 841)
(Increase)/decrease in other receivables	(72 819 331)	(72 819 331)	(54 739 498)	(54 739 498)
Increase/(decrease) in conditional grants and receipts	(9 065 383)	(5 280 039)	(11 679 423)	(13 707 597)
Increase in trade payables	77 983 289	78 085 725	88 184 595	85 548 587
Other assets		-	-	-
Other liability		-	-	-
Cash generated by/(utilised in) operations	<u>610 286 917</u>	<u>615 155 816</u>	<u>362 760 699</u>	<u>319 366 980</u>

**34 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	36 142 917	35 916 287	36 718 014	31 863 096
Net cash and cash equivalents (net of bank overdrafts)	<u>36 142 917</u>	<u>35 916 287</u>	<u>36 718 014</u>	<u>31 863 096</u>

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>				
<b>35 DISALLOWED</b>				
<b>35.1 Unauthorised expenditure</b>				
Reconciliation of unauthorised expenditure				
Unauthorised expenditure current year	62 514 568	62 514 568	24 877 095	24 877 095
Certified as irrecoverable and written off by council in terms of MFMA	(62 514 568)	(62 514 568)	(24 877 095)	(24 877 095)
	-	-	-	-
<b>Incident</b>				
Unauthorized expenditure that was written off in the current year was as a result of municipal infrastructure grant and municipal water infrastructure grant originally planned for 2016/17 but were brought forward and differing accounting methods between the municipality and the Department of Cooperative Governance and Traditional Affairs and the Department of Water and Sanitation respectively				
<b>Action taken</b>				
Council has certified the unauthorised expenditure as irrecoverable and written it off in terms of section 32(2) of the MFMA.				
<b>35.2 Fruitless and wasteful expenditure</b>				
Reconciliation of fruitless and wasteful expenditure				
Fruitless and wasteful expenditure current year	299 477	236 222	130 296	130 296
Certified as irrecoverable and written off by Council in terms of MFMA section 32/Recovered from responsible officials	(299 477)	(236 222)	(130 296)	(130 296)
	-	-	-	-
<b>Incident</b>				
Fruitless and wasteful expenditure of R225 472 arose as a result of late payments which resulted in the interest penalties that were as a result of cash flow constraints during the drought period. An amount of R 750 in respect of late cancellation of the Risk workshop whilst the service provider had already delivered the chairs and tables at the venue. The amount of R 10 000 due to user department that changed the booking after confirmation was made by service provider for the 2015 SALGA games.				
<b>Action taken</b>				
Council has certified the fruitless and wasteful expenditure as irrecoverable and written it off in terms of section 32(2) of the MFMA/ the balance was recovered from responsible officials.				
<b>35.3 Irregular expenditure</b>				
Reconciliation of irregular expenditure				
Irregular expenditure current year	1 162 385	1 162 385	2 590 940	2 590 940
Certified by council as irrecoverable and written off in terms of MFMA	(1 162 385)	(1 162 385)	(2 590 940)	(2 590 940)
	-	-	-	-
<b>Incident</b>				
The irregular expenditure is a result of overtime paid that exceed limitations/restrictions of the BCEA				
<b>Action taken</b>				
The irregular expenditure was certified and written off by council.				
<b>35.4 Deviations</b>				
Deviations were approved in terms of regulation 36 of the Supply Chain Management Policy:				
Total value	11 096 841	9 748 552	16 400 581	12 264 957
	11 096 841	9 748 552	16 400 581	12 264 957

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b>ADDITIONAL DISCLOSURES IN TERMS OF 36 MUNICIPAL FINANCE MANAGEMENT ACT</b>				
<b>36.1 Contributions to organised local government</b>				
Opening balance	485 283	485 283		
Council subscriptions	1 714 103	1 714 103	1 714 103	1 714 103
Amount paid - current	(1 829 276)	(1 829 276)	(1 228 820)	(1 228 820)
Balance unpaid (included in payables)	<u>370 111</u>	<u>370 111</u>	<u>485 283</u>	<u>485 283</u>
<b>36.2 Audit fees</b>				
Opening balance		-		
Current year audit fee	3 021 138	2 524 000	2 338 626	1 913 681
Amount paid - current year	(3 021 138)	(2 524 000)	(2 338 626)	(1 913 681)
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>36.3 VAT</b>				

VAT input receivables and VAT output payables are shown in note 2. All VAT returns have been submitted by the due date throughout the year.

<b>36.4 PAYE and UIF</b>				
Opening balance	1 826 613	1 826 613	1 588 164	1 588 164
Current year payroll deductions	27 256 820	25 349 950	23 978 667	23 284 210
Amount paid - current year	(24 901 030)	(23 124 943)	(22 152 054)	(21 457 597)
Amount paid - previous years	(1 826 613)	(1 826 613)	(1 588 164)	(1 588 164)
Balance unpaid (included in payables)	<u>2 355 790</u>	<u>2 225 007</u>	<u>1 826 613</u>	<u>1 826 613</u>

The balance represents PAYE and UIF deducted in June 2016 payroll. These amounts were paid in July 2016.

<b>36.5 Pension and Medical Aid Deductions</b>				
Opening balance	2 794 089	2 794 089	1 278 308	1 278 308
Current year payroll deductions and Council Contributions	36 346 979	36 346 979.29	32 592 204	32 592 204
Amount paid - current year	(33 199 206)	(33 199 206)	(29 798 115)	(29 798 115)
Amount paid - previous years	(2 794 089)	(2 794 089)	(1 278 308)	(1 278 308)
Balance unpaid (included in payables)	<u>3 147 774</u>	<u>3 147 774</u>	<u>2 794 089</u>	<u>2 794 089</u>

The balance represents Pension & Medical aid deducted in May 2016 payroll. These amounts were paid in June 2016 except for medical and RA which were paid within the month of deduction which is July 2016.

**36.6 Councillor's arrear consumer accounts**

as at 30 June 2015				
Councillor NG Mthethwa	663	663	-	-
Councillor A Badui	-	-	363	363
Councillor MSC Motale	-	-	5 395	5 395
Councillor MP Ntuli	-	-	300	300
Councillor JM Mkhize	-	-	484	484
Councillor RN Pakkies	-	-	108	108
Total Councillor Arrear Consumer Accounts	<u>-</u>	<u>663</u>	<u>6 650</u>	<u>6 650</u>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 30 June 2016

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b>36.7 Material losses</b>				
<b>36.7.1 Asset impairment losses</b>	(6 498 645)	(6 498 645)	83 905 322	(299 742 658)
The current year impairment is a result of ageing infrastructure due to the impact of drought				
<b>36.7.2 Debt impairment losses</b>	(9 806 065)	(9 806 065)	(23 800 126)	(23 800 126)
Although the revenue collection has slightly improved compared to the prior year, council has incurred material debt impairment losses written off against the provision for bad debts. This is mainly as a result of restricted inactive accounts that are accumulating interest with no corresponding payments, pensioner accounts and deceased consumer accounts that are accumulating interest. This write-off has resulted in a decrease in consumer debtors and provision for bad debts				
<b>36.7.3 Waiver of right relating to Financial Asset</b>	(83 675 951)	(83 675 951)		
An amount of R 83 675 951 is distinguished from a write off of debt but is as per the waiver of the contractual right to collect debt by Ilembe District Municipality from the Mandeni Community due to violent protests that erupted just before the local government election.				

In terms of paragraph 68 (a) of GRAP 104, an entity shall derecognise a financial asset only when: (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;  
Paragraph 69 of the same GRAP standard states that an entity may waive the right to receive contractual receipts under the terms

<b>36.8 Distribution Losses</b>	<b>Percentage distribution</b>				
Units lost (kilolitres)					
Illegal connections and other	30%	2 308 757	2 308 757	2 919 427	2 919 427
Main leaks	49%	3 831 350	3 831 350	4 091 162	4 091 162
Reservoir overflows	0%	27 367	27 367	29 223	29 223
Service connection leaks	21%	1 614 640	1 614 640	1 724 132	1 724 132
Units lost (kilolitres)	100%	7 782 114	7 782 114	8 763 944	8 763 944
Units lost (sales price per kilolitre - rands)		75 071 415	75 071 415	77 824 205	77 824 205
Units lost (purchase price per kilolitre - rands)		28 007 562	28 007 562	32 672 380	32 672 380
Units lost (percentage)		45%	45%	44%	44%

The distribution losses are mainly due to illegal connections, main leaks (ageing infrastructure), reservoir overflows and service connection leaks. A five year strategic master plan for the reduction of non revenue water has been adopted by the municipality to address this problem.

**Non-Compliance with Section 65 (2) of the Municipal Finance Management Act - Payments of creditors within 30 days from date of receipt**

**36.9**

Although the average creditors payment days ratio was 27 days as at 30 June 2016, due to the severely constrained cash flows arising mainly from the severe on going drought, from time to time, the municipality had challenges in meeting the 30 days legislated payment terms. This resulted in an aggregate of 19.1% of invoices processed not paid on time during the 2015/16 financial year.

The equivalent rand value of this is shown in the table below:

Total Value of invoices processed	866 462 153	866 462 153	-
Value of invoices processed and paid within 30 days	700 967 882	700 967 882	-
Value of invoices processed but not paid within 30 days	165 494 271	165 494 271	
Percentage	19%	19%	

**36.10 Material Forex Losses**

Total Forex Liability as at 30 June 2016	1962804.61	1962804.61
Net Cumulative Forex Losses	-422370.68	-422370.68
Percentage losses	-22%	-22%

The material forex losses arising from the Microsoft License forex liability was due to unexpected adverse fluctuations in the rand dollar exchange rate.

**37 CAPITAL COMMITMENTS**

**37.1 Commitments in respect of capital expenditure**

<b>- Approved and contracted for</b>	<b>568 840 542</b>	<b>568 840 542</b>	<b>232 953 997</b>	<b>232 953 997</b>
Infrastructure	568 840 542	568 840 542	232 953 997	232 953 997
Community	-	-	-	-
<b>- Approved but not yet contracted for</b>	<b>1 575 118 885</b>	<b>1 575 118 885</b>	<b>2 271 997 991</b>	<b>2 271 997 991</b>
Infrastructure	1 575 118 885	1 575 118 885	2 271 997 991	2 271 997 991
<b>Total</b>	<b>2 143 959 427</b>	<b>2 143 959 427</b>	<b>2 504 951 988</b>	<b>2 504 951 988</b>
This expenditure will be financed from:				
- External Loans				
- Government Grants	1 650 914 296	1 650 914 296	2 005 994 621	2 005 994 621
- Own resources	21 093 942	21 093 942	27 006 179	27 006 179
- Funding still to be sourced	471 951 188	471 951 188	471 951 188	471 951 188
	2 143 959 426	2 143 959 426	2 504 951 988	2 504 951 988

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b>38 EMPLOYEE BENEFITS INFORMATION</b>				
<b>38.1 Defined contribution plan</b>				
The following are defined contribution plans: Natal Joint Municipal Pension Fund, National Treasury, Government Employee Pension Fund, SALA Pension Fund and Municipal Councillors Pension Fund. These contributions have been expensed.				
<b>38.2 Other Long-term benefit plan</b>				
Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.				
The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.				
The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.				
The independent valuers carried out a statutory valuation as at 30 June 2016.				
The principal actuarial assumptions used were as follows:				
Discount rate per annum	8.83%	8.83%	8%	8%
Inflation rate	6.53%	6.53%	7%	7%
Net effective discount rate	1.21%	1.21%	1%	1%
Benchmark inflation (equal to salary inflation)	7.53%	7.53%	7%	7%
Average retirement age	63	63	63	63
Mortality during employment	SA 85-90 ultimate	SA 85-90 ultimate	SA 85-90 ultimate	SA 85-90 ultimate
Percentage of in-service members withdrawing before retirement:				
Age 20	40%	40%	40%	40%
Age 30	25%	25%	25%	25%
Age 40	12%	12%	12%	12%
Age 50	4%	4%	4%	4%
Age 55+	2%	2%	2%	2%
The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:	7 977 361	7 977 161	7 271 727	7 271 627
<b>EMPLOYEE BENEFITS (continued)</b>				
Movement in the defined benefit obligation is as follows:				
Balance at beginning of the year	7 271 627	7 271 627	6 685 000	6 685 000
Current service cost	822 374	822 374	771 000	771 000
Interest cost	556 104	556 104	550 000	550 000
Benefit payments	(801 472)	(801 472)	(1 005 502)	(1 005 502)
Actuarial (gains)/losses	128 528	128 528	271 129	271 129
Balance at end of year	7 977 361	7 977 161	7 271 627	7 271 627
The timing of the employee benefits is as follows:				
Current portion of employee benefits	1 014 311	1 014 311	801 472	801 472
Employee benefit obligation	6 962 850	6 962 850	6 470 255	6 470 155
	7 977 161	7 977 161	7 271 727	7 271 627
The amounts recognised in the Statement of Financial Performance were as follows:				
Current service cost	822 374	822 374	771 000	771 000
Interest cost	556 104	556 104	550 000	550 000
Actuarial (gains)/losses	128 528	128 528	271 129	271 129
	1 507 006	1 507 006	1 592 129	1 592 129
<b>39 CONTINGENT LIABILITY</b>				
<b>39.1 Claim for damages</b>				
It has been established that the entity may be liable to pay Mancefeza Trading in respect of services rendered. The service provider was appointed as part of the panel of service providers for the transportation of vegetables with regards to the NSNP project. A misrepresentation of facts was picked up whereby the supplier is not declare relations with one of the entity employees. This case is currently being handled by EI lawyers.	22 644	-		
<b>39.2 Vat refund commission claim dispute.</b>				
liable to pay SARS in respect of VAT on grants received from Ilembe District Municipality. Representations have been made to SARS to zero rate these grants and a response is awaited.	-	-	8 932 465	
<b>40 RELATED PARTIES</b>				
Members of key management Controlled Municipal Entity	Section 57 managers Ilembe District Municipality has a 100% holding in Ilembe Development Enterprise (Pty) Ltd.			
Compensation to councillors and other key management	Refer to note 23 & 24			
<b>Related party balances</b>				
Amount owed by Ilembe Enterprise included in other receivables	-	(1 268 537)	-	(12 697 884)
<b>Related party transactions</b>				
Transactions with Enterprise Ilembe Development Agency				
Grant funding from the parent for LED projects	-	19 573 096	-	16 708 146
Rental of offices	-	-	-	153 731
Other (e.g. lease of vehicles, cellphones)		1 166 764		1 289 112



**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b>41 EVENTS AFTER THE REPORTING DATE</b>				
On 29 July 2016 the council of iLembe District Municipality approved debt impairment, asset impairment, inventory adjustments and certified as irrecoverable unauthorized, irregular, fruitless and wasteful expenditure and reclassification of irregular expenditure as deviations in terms of circular 68, that existed as at 30 June 2016. This resulted in adjusting post balance sheet events in terms of GRAP 14.				
The effect on the reported figures is as follows:				
<b>Statement of financial position</b>				
Decrease in Consumer Debtors	(9 806 065)	(9 806 065)	(23 800 126)	(23 800 126)
Decrease in carrying amount of property, plant & equipment as a re	(4 042 179)	(4 042 179)	83 736 016	83 736 016
Decrease in inventory	-	-	-	-
<b>Statement of financial performance</b>				
Increase in total depreciation, impairment and amortisation	69 680 117	69 680 117	(83 736 016)	(83 736 016)
Increase in repairs and maintenance	97 678 134	97 678 134	-	-
<b>Disclosures</b>				
Decrease in Irregular expenditure	(1 428 555)	(1 428 555)	2 590 940	2 590 940
Decrease in fruitless and wasteful expenditure	105 927	105 927	130 295	130 295
Decrease in unauthorized expenditure	37 637 473	37 637 473	24 877 095	24 877 095
Increase in deviations	4 609 288	4 609 288	49 600	49 600

**42 RISK MANAGEMENT**

**42.1 Maximum credit risk exposure**

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation and cause the municipality to incur a financial loss. Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Consumer debtors	211 612 744	211 612 744	209 575 679	209 575 679
Other debtors	147 005 337	147 005 337	74 186 007	74 186 007
	<u>358 618 081</u>	<u>358 618 081</u>	<u>283 761 685</u>	<u>283 761 685</u>
<b>Ageing of consumers</b>				
Current (0 – 30 days)	13 843 597	13 843 597	13 001 169	13 001 169
31 - 60 Days	9 046 940	9 046 940	12 783 500	12 783 500
61 - 90 Days	10 819 864	10 819 864	8 854 057	8 854 057
91 - 120 Days	6 146 237	6 146 237	7 568 493	7 568 493
121 - 365 Days	9 001 545	9 001 545	7 916 899	7 916 899
+ 365 Days	162 754 560	162 754 560	159 451 561	159 451 561
Total	<u>211 612 744</u>	<u>211 612 744</u>	<u>209 575 679</u>	<u>209 575 679</u>
Less: Provision for bad debts	(132 337 373)	(132 337 373)	(88 862 177)	(88 862 177)
Net consumer debtors	<u>79 275 370</u>	<u>79 275 370</u>	<u>120 790 771</u>	<u>120 791 377</u>
<b>Cash and cash equivalents</b>	36 142 917	35 916 287	13 105 864	31 863 096
Other investments	24 419 710	24 419 710	22 982 423	22 982 423
	<u>60 562 627</u>	<u>60 335 997</u>	<u>36 088 287</u>	<u>54 845 519</u>

These balances represent the maximum exposure to credit risk.

**42.2 Liquidity risk**

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipalities approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due; without incurring unacceptable losses or risking damage to the Municipality's reputation.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The Municipality's liability are backed by appropriate assets and it has significant liquid resources.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within a year	Between 2 to 5 years	Total
<b>2016</b>			
Gross finance lease obligations	15 463 776	7 980 147	23 443 923
Borrowings	5 864 775	77 958 904	83 823 679
Trade and other payables	349 460 180	-	349 460 180
Other	1 014 311	6 962 850	7 977 161
	<u>371 803 042</u>	<u>92 901 901</u>	<u>464 704 943</u>
<b>2015</b>			
Gross finance lease obligations	8 426 370	23 196 864	31 623 234
Borrowings	1 516 041	89 856 402	91 382 443
Trade and other payables	276 654 494	-	276 654 494
Other	801 472	6 470 155	7 271 627
	<u>287 398 377</u>	<u>119 533 421</u>	<u>406 931 797</u>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

	GROUP 2016 R	IDM 2016 R	GROUP 2015 R	IDM 2015 R
<b>42.3 Interest rate risk</b>				
The Municipality is not exposed to interest rate risk on its financial liabilities. All of the Municipality's interest bearing external loan liabilities are fixed interest loans.				
The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.				
The Municipality is exposed to fairvalue interest rate on its external loan liabilities , which are all fixed interest rates.				
At year end, financial instruments exposed to interest rate risk were as follows:				
Cash and cash equivalents	36 142 917	35 916 287	13 105 864	31 863 096
Other investments	24 419 710	24 419 710	22 982 423	22 982 423
Gross finance lease obligations	23 443 923	23 443 923	6 828 897	31 623 234
Borrowings	84 611 487	84 611 487	92 233 374	91 382 443
Consumer debtors	211 612 744	211 612 744	209 575 679	209 575 679

**42.4 Foreign Currency Risk**

Municipality has a three year contract for the deployment of Microsoft share point with Microsoft.

At year end

Foreign exchange losses were:	422 371	422 371	6 245	6 245
Foreign exchange liability was:	1 962 805	1 962 805	144 376	144 376

Sensitivity analysis:

The Spot rate at 30 June 2016 was 15.0363, should the spot rate increase by 10% the foreign liability will be R 2 159 085.07 and the foreign loss will increase to R 464 607.75.39. Should the spot rate decrease by 10 % the forex liability will be R 1 766 524.15 and the Forex loss will decrease to R 380 133.61.

**43 RESTATEMENT OF COMPARATIVE INFORMATION**

	Restated Comparative	Restated Comparative	Prior Year Disclosure	Prior Year Disclosure
<b>Statement of Financial Performance:</b>				
The items listed below have been reclassified from general expenses to contracted services				
<b>Capital Expenditure</b>				
- Assets Under Construction		-	-	
<b>Contracted Services</b>				
- Rental of Premises	119 713			-
- Lease of Vehicles	539 541			
- Security	300 961			-
The items listed below have been reclassified from general expenses and are separately disclosed				
<b>General Expenses</b>				
- Rental of Premises			53 142	-
- Lease of Vehicles			403 781	
- Security			32 112	-

**44 OPERATING LEASES**

The future minimum lease payments payable under operating leases for the actual liability are as follows:

No later than 1 year	66 744	99 789
Later than 1 year and no later than 5 years	16 632	16 632
	<u>66744</u>	<u>116 421</u>

The entity is the lessee of office property at Warne House, the lease is for 2 years and it commenced on the 1 September 2014 and terminate on the 31 August 2016. The lease has been extended to January 2017

**45 TRANSFER OF AGRICULTURAL PROJECTS**

The process of transferring the following agricultural assets presently disclosed as PPE Agriculture, Biological Assets and Projects Under Construction will begin:

Bio Diesel	5 777 329	5 777 329
North Coast Vineyards	1 174 400	1 710 000
Agri Processing Facilities	11 924 407	13 527 563
Moringa Plantations	1 064 800	1 064 800
	<u>18 876 136</u>	<u>22 079 692</u>

Special Purpose Vehicles (SPVs) will be established and the

assets will be transferred into these SPVs.

In anticipation of the transfer of assets the following companies have

Rocabex (Pty) Ltd, Rocablox (Pty) Ltd and Rocabix (Pty) Ltd.

Bank accounts have been opened in the names of the three companies.

To date due to the assets having not been transferred to the SPVs the above companies have not traded apart from the proceeds from the sale of agricultural produce being deposited into the bank account of Rocabex (Pty) Ltd.

An agreement was entered into on 28 September 2012 between Enterprise Ilembe and Coation Trading 596 CC Trading as Romac Farm and Black Balance Projects (Pty) Ltd in respect of the traditional Romac Farm pulled out of the said agreement on 28 February 2014 due to operational issues. The entity is busy with ownership and sustainability models for the Agri Hubs process before transfers are done.

A service provider has been appointed to report recommendations on the best model to transfer these assets to communities.

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY

APPENDIX A

UNAUDITED SCHEDULE OF EXTERNAL LOANS

as at 30 June 2016

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 1 July 2015		Received during the period	Interest Paid during the period		Loans Raised During the period		Redeemed / written off during the period		Balance at 30 June 2016	
			R	R		R	R	R	R	R	R		
LONG-TERM LOANS													
ABSA Bank @10.65%		2025	30 787 808	-	-	3 212 507	-	-	-	787 808	-	30 000 000	-
Development Bank of SA @10.80%		2025-09-30	60 594 634	-	-	2 806 719	-	-	-	5 983 147	-	54 611 487	-
Total long-term loans			91 382 443	-	-	6 019 226	-	-	-	6 770 955	-	84 611 487	-
ANNUITY LOAN													
Development Bank of SA @16.50%	13527		9 679	-	-	-	-	-	-	-	-	9 679	-
Development Bank of SA @13.45%	11578	2014	238	-	-	-	-	-	-	-	-	238	-
Total capital creditors			9 917	-	-	-	-	-	-	-	-	9 917	-
TOTAL EXTERNAL LOANS			91 392 359	-	-	6 019 226	-	-	-	6 770 955	-	84 621 404	-

ILEMBE DISTRICT MUNICIPALITY  
APPENDIX B  
UNAUDITED ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
As at 30 June 2016

	Cost / Revaluation				Accumulated Depreciation				Change in estimate				Carrying Value			
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Transfers	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Reversal of impairment loss	Impairment loss	Closing Balance	R	R
Land	3 242 908	-	-	-	-	-	3 242 908	-	-	-	-	-	-	-	-	3 242 908
	3 242 908	-	-	-	-	-	3 242 908	-	-	-	-	-	-	-	-	3 242 908
Buildings	18 489 380	64 961	-	-	-	-	18 564 341,31	(6 875 750)	(784 539)	-	(426 815)	-	-	-8 087 143,93	-	10 477 197
Agriculture	18 323 845	9 800	-	(1 022 280)	-	-	17 311 364,92	(4 796 283)	(1 232 205)	641 530	-	-	(2 450 016)	(7 836 974)	-	9 474 391
Biological Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	122 669 216	-	-	(96 094)	19 732 978	-	142 306 099	(36 749 128)	(5 655 380)	92 373	(7 609 226)	-	(52 814)	(49 974 176)	-	92 331 923
Sewerage Mains & Purification	1 285 436 797	-	-	(700 281)	126 840 557	-	1 411 577 073	(235 538 448)	(42 042 691)	635 028	(31 868 465)	-	(3 989 365)	(312 803 941)	-	1 088 773 132
Water Mains & Purification	400 557 513	-	-	-	(146 916 537)	497 238 166	750 879 142	-	-	-	-	-	-	-	-	750 879 142
Under construction	1 808 663 525	-	-	(796 375)	(343 002)	497 238 166	2 304 762 314	(272 287 576)	(47 698 071)	727 400	(39 477 691)	-	(4 042 179)	(362 778 117)	-	1 941 984 196
	1 848 729 658	74 761	-	(1 818 655)	(343 002)	497 238 166	2 343 880 928	(283 959 649)	(49 714 815)	1 368 930	(39 904 506)	-	(6 492 195)	(378 702 235)	-	1 965 178 693
Total carried forward																

ILEMBE DISTRICT MUNICIPALITY  
APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
As at 30 June 2016

	Cost / Revaluation					Accumulated Depreciation					Carrying Value				
	Opening Balance	Additions	Change in policy/prior year errors	Disposals		Under Construction	Closing Balance	Opening Balance	Depreciation		Disposals	Change in policy/prior year errors	Reversal of impairment loss	Impairment loss	Closing Balance
Total brought forward	1 848 729 658	74 761	-	(1 818 655)	(343 002)	497 238 166	2 343 880 928	(283 959 649)	(49 714 815)	1 368 930	(39 904 506)	-	(6 492 195)	(378 702 235)	1 955 178 693
Other Assets															
Office Equipment	4 012 895	234 615	-	(100 209)	210 364	-	4 357 664,47	(2 554 729)	(446 196)	71 565	(6 978)	(3 587)	(2 939 925)	1 417 737	
Machinery & Equipment	2 192 869	89 100	-	(25 688)	132 638	-	2 388 918	(1 594 458)	(248 974)	17 754	-	(624)	(1 826 302)	562 617	
Transport Assets	5 087 809	-	2 305 736	(3 857 638)	-	-	3 535 906	(2 374 250)	(405 048)	2 950 093	(2 259 564)	-	(2 088 769)	1 447 137	
Computer Equipment	7 622 571	732 985	-	(249 484)	-	-	8 106 072,86	(5 998 939)	(754 146)	233 067	-	(2 240)	(6 522 258)	1 583 813	
Finance Lease Assets															
Other Assets	18 916 144	1 056 700	2 305 736	(4 233 020)	343 002	-	18 388 562	(12 522 375)	(1 854 364)	3 272 478	(2 266 542)	-	(6 450)	(13 377 254)	5 011 304
	41 809 100	1 513 621	579 493	(3 211 760)	-	-	40 690 454	(14 142 659)	(13 536 482)	2 186 126	(157 933)	-	-	(25 650 949)	15 039 505
	41 809 100	1 513 621	579 493	(3 211 760)	-	-	40 690 454	(14 142 659)	(13 536 482)	2 186 126	(157 933)	-	-	(25 650 949)	15 039 505
Total	1 909 454 902	2 845 082	2 885 229	(9 263 435)	(0)	497 238 166	2 402 959 944	(310 624 684)	(65 105 661)	6 827 533	(42 328 981)	-	(6 498 645)	(417 730 438)	1 985 229 502

ILEMBE DISTRICT MUNICIPALITY  
APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
as at 30 June 2015

	Cost / Revaluation				Accumulated Depreciation				Carrying Value R						
	Opening Balance R	Additions R	Change in policy/prior year errors	Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R		Disposals R	Change in policy/prior year errors	Change in estimate	Reversal of impairment loss	Impairment loss R	Closing Balance R
Land	3 242 908	-	-	-	-	3 242 908	-	-	-	-	-	-	-	-	3 242 908
	3 242 908	-	-	-	-	3 242 908	-	-	-	-	-	-	-	-	3 242 908
Buildings	18 499 380	-	-	-	-	18 499 380	(5 483 521)	(687 873)	-	-	(704 397)	-	-	(6 875 790)	11 623 589
Agriculture	18 351 551	-	(27 706)	-	-	18 323 845	(3 488 842)	(1 235 918)	-	(85 706)	-	-	14 183	(4 796 283)	13 527 562
Biological Assets															
Infrastructure															
Sewerage Mains & Purification	81 122 101	76 467	38 619 193	-	2 851 455	122 669 216	(37 662 046)	(4 261 408)	-	-	(4 279 641)	11 323 101	(1 869 135)	(36 749 128)	85 920 087
Water Mains & Purification	1 137 866 690	1 107 782	(38 619 193)	-	185 081 518	1 285 436 797	(390 534 946)	(35 644 560)	-	-	116 259 009	105 237 452	(30 955 402)	(235 539 448)	1 049 898 347
Under construction	251 867 645	-	(202 340 873)	-	(202 340 873)	351 030 740	400 557 513	-	-	-	-	-	-	-	400 557 513
	1 470 856 436	1 184 249	-	-	(14 407 900)	351 030 740	1 808 663 525	(39 805 968)	-	-	111 979 368	116 560 553	(32 824 537)	(272 287 576)	1 536 375 947
Total carried forward	1 510 950 275	1 184 249	(27 706)	-	(14 407 900)	351 030 740	1 848 729 658	(437 169 354)	(41 729 759)	(85 706)	111 274 971	116 560 553	(32 810 354)	(283 959 649)	1 564 770 005

ILEMBE DISTRICT MUNICIPALITY  
APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
as at 30 June 2015

	Cost / Revaluation				Accumulated Depreciation				Carrying Value R						
	Opening Balance R	Additions R	Change in policy/prior year errors	Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R		Disposals R	Change in policy/prior year errors R	Impairment loss/Reversal of Impairment loss R	Closing Balance R		
Total brought forward	1 510 950 275	1 184 249	(27 706)	-	351 030 740	1 848 729 658	(437 169 354)	(41 729 759)	-	(85 706)	111 274 971	116 560 553	(32 810 354)	(283 959 649)	1 564 770 005
Other Assets															
Office Equipment	3 727 176	666 559	(219 981)	(160 859)	-	4 012 895	(2 360 876)	(430 624)	148 630	(52 898)		141 040	(8 489)	(2 554 729)	1 458 166
Machinery & Equipment	2 369 300	104 713	-	(281 145)	-	2 192 869	(1 584 212)	(264 067)	262 310	-				(1 594 458)	598 411
Transport Assets	8 404 607	-	-	(3 316 798)	-	5 087 809	(4 810 578)	(760 155)	3 196 484	-				(2 374 250)	2 713 559
Computer Equipment	7 910 049	170 476	(27 364)	(430 589)	-	7 622 571	(5 497 783)	(924 483)	400 756	-		22 572		(5 998 938)	1 623 634
	22 411 132	941 747	(247 345)	(4 189 391)	-	18 916 144	(14 253 450)	(2 379 329)	4 008 179	(52 898)		163 611	(8 489)	(12 522 375)	6 393 770
Finance Lease Assets															
Other Assets	11 900 727	38 856 120	(754 119)	(8 193 628)	-	41 809 100	(9 923 448)	(12 974 949)	8 078 860	678 877		-	-	(14 142 659)	27 666 441
	11 900 727	38 856 120	(754 119)	(8 193 628)	-	41 809 100	(9 923 448)	(12 974 949)	8 078 860	678 877		-	-	(14 142 659)	27 666 441
Total	1 545 262 135	40 982 116	(1 029 170)	(12 383 019)	351 030 740	1 909 454 902	(461 346 252)	(57 084 036)	12 087 039	538 273	111 274 971	116 724 164	(32 818 843)	(310 624 684)	1 598 830 216

## As at 30 June 2016

Executive & Council	
Finance & Admin	
Waste Management	
Water	
Under Construction	
Other	
<b>Total</b>	

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
APPENDIX D  
UNAUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE  
As at 30 June 2016

	2015	2015	2015	2016	2016	2016
	Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
	R	R	R	R	R	R
	47,582,759	57,387,220	(9,804,460)	118,427,972	66,299,134	52,128,838
	163,017,452	122,939,893	40,077,559	142,101,487	121,882,294	20,219,193
	12,781,417	20,103,619	(7,322,202)	55,001,830	41,712,254	13,289,576
	-	5,284,325	(5,284,325)	-	3,167,530	(3,167,530)
	118,208,365	50,646,645	67,561,720	144,938,675	36,178,277	108,760,398
	550,590,411	147,066,703	403,523,707	644,337,275	413,083,497	231,253,778
<b>Total</b>	<b>892,180,405</b>	<b>403,428,405</b>	<b>488,751,997</b>	<b>1,104,807,240</b>	<b>682,322,986</b>	<b>422,484,252</b>